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# U. S.

# LODGING

# INDUSTRY

Laventhol & Horwath

# U. S.

# LODGING

# INDUSTRY

*54th Annual Report on Hotel and Motor Hotel Operations*
*1986 Edition*


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# FOREWORD

*by Mark V. Lomanno*
*Director of Research*
*Leisure Time Industry*
*Laventhol & Horwath*
*Executive Offices*

This is Laventhol & Horwath's 54th annual in-depth analysis of the U.S. lodging industry. Since its beginning, this report has become recognized as the single most authoritative source of information available today on the United States lodging industry. The information in this series of reports provides an understanding of the operating characteristics of the industry for the preceding year and is useful for analyzing trends in revenue and expenses over successive time periods.

In our continuing efforts to upgrade the quality and usefulness of this report, substantial improvements have been made to this year's edition. For the first time, articles have been written by L&H professionals discussing topical lodging issues. This year's articles discuss room rate discounting, lodging demand generators and the increased emphasis of marketing in hotel management, as well as a review of the U.S. lodging industry in 1985.

In addition, a number of the exhibits have been modified. This clearer presentation of data should provide the reader with a more accurate understanding of the flow of revenue and expenses in varied types of lodging operations. With these changes in mind, the reader should be careful when comparing this report to previous editions.

Also, for the first time in this report, we have presented information on the use of technology and guest services throughout the industry. Shown are L&H's estimates for the percentage of properties in the country that provide certain services for their guests as well as how many are currently using various types of technology. While this information is available for a wide variety of industry segments, the report only presents industry-wide percentages.

These changes are the first in what we envision to be the continuing evolution of this report. As the U.S. lodging industry changes and grows in the coming years, L&H will make every attempt to present information of critical importance to individuals and groups concerned with this vital industry.

### *Background*

Preparation of this year's study began in October 1985 with a complete revision of the 1986 questionnaire. The purpose of the revision was twofold: First, to capture only that information necessary to report industry performance accurately and, secondly, to make the questionnaire easier for the operator to complete. Once the revision was complete, 3,000 questionnaires were distributed nationwide by Laventhol & Horwath's practice offices. In addition, direct contact was

made with several major chains to obtain information about the properties they operate. The Research Division of L&H subsequently obtained data from nearly 725 properties. After careful analysis for reasonableness and accuracy, 610 questionnaires were used in compiling data for this study.

The participating properties represent a broad cross section of the industry with total sales of approximately $5.6 billion in 1985. The information for these properties is broken down into separate categories and includes medians, quartiles and arithmetic means for 42 different groups. Supplementary information on source of business, composition of lodging demand and other relevant marketing statistics, along with credit and collection data, are also presented.

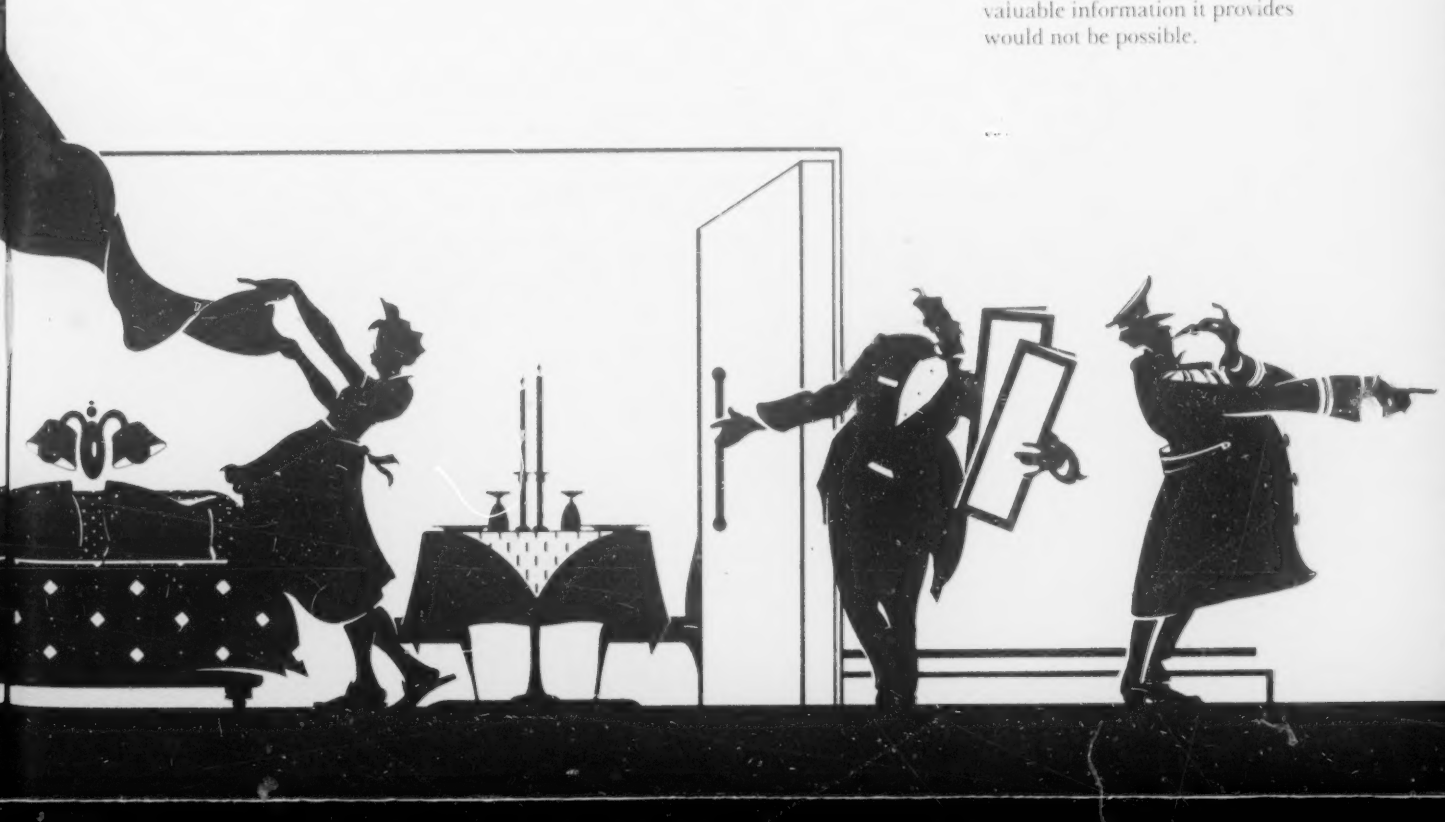
### *Bases of statistics*

The statistics presented in this report have been computed on the three most common bases used to analyze operating results of lodging enterprises: annual amounts per room, ratio to room sales and ratio to total sales. Readers not familiar with L&H's lodging industry publications, especially those not well acquainted with hotel financial statements, are urged to consult "Bases and Significance of Hotel Statistics," which is Chapter 28 of the fourth revised edition of *Hotel Accounting*, published in 1978 by the Ronald Press Division of John Wiley & Sons. This material is essential to understanding and using the statistical information contained in this report.

The majority of the figures used in this study are medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since all establishments did not report for each line. A further explanation on understanding and utilizing medians can be found in Appendix I. The arithmetic or weighted mean is also used where it has been deemed appropriate. "The U.S. Lodging Industry Dollar" (page 15), for example, is based on weighted means to express absolute values rather than the relative position of the operating results of the establishments in the sample, which are expressed in medians and quartiles.

L&H makes no attempt to set or conform prices or operating ratios for the lodging industry. The amounts and ratios contained in this report should not be considered standards for any type of property or region, but should be used only as a guide when analyzing the operating results of a specific property.

Laventhol & Horwath would like to take this opportunity to thank the lodging chains and properties across the country who participated in the production of this report. Without the continued support of concerned lodging operators, this report and the valuable information it provides would not be possible.



# STANDARDS FOR ESTIMATING LODGING DEMAND

*by Bjorn Hanson*
*Senior Principal*
*Laventhol & Horwath, New York*

One of the most important factors in selecting a site for a new lodging property is determining whether a market area can support the development. This is particularly true when an area has no lodging or comparable hotel supply or is experiencing rapid growth of office space, institutions and tourist attractions.

In mature market areas, estimating demand generally is done by combining current area occupancy with projected growth of demand and known or likely future lodging supply. Most professionally prepared market studies use complex models focusing on growth and penetration of numerous market segments.

Hotel developers, management companies and franchise systems can apply certain "rule of thumb" standards. At Laventhol & Horwath, we've developed these standards by conducting hundreds of interviews during our market studies for lodging developments. This includes interviews with representatives of all types of lodging developments in different size cities in varying types of locations.

Lodging Demand Generated by Various Factors

*Source of Demand*

| Commercial Activity | Annual Room Nights Per Full-Time Employee | |
|---|---|---|
| | **Typical Range** | **Mode** |
| Corporate Headquarters & Research | 1 to 15 | 3.5 |
| Professional Firms, Foundations | 0.5 to 3 | 1 |
| Manufacturing | 0.1 to 3 | 0.5 |
| Distribution, Wholesale, Retail | Negligible to 0.5 | 0.1 |
| **Colleges and Universities** | **Annual Room Nights Per Student** | |
| | **Typical Range** | **Mode** |
| Major Institutions, Large City Location | 0.1 to 2 | 0.5 |
| Major Institutions, Not Located in the City | 1 to 3 | 1.5 |
| Small Private Institution | .5 to 1.5 | 1 |
| Community College | Negligible to 1 | 0.5 |
| **Hospital Lodging** | **Annual Room Nights Per Bed** | |
| | **Typical Range** | **Mode** |
| Local or Regional Hospital | 0.1 to 1 | 0.5 |
| University-Affiliated, Teaching & Research Hospital | 1 to 5 | 2 |
| Hospitals with Specialized Inpatient Wards | 2 to 20 | 2 |
| **Highway Lodging** | **Annual Room Nights Per Hundred AADTC*** | |
| | **Typical Range** | **Mode** |
| Interstate Highway Between Large Cities | 1 to 20 | 10 |
| State Highway Between Large Cities | 1 to 5 | 3 |
| **Convention and Civic Center** | **Annual Room Nights Per Gross Square Foot In Complex** | |
| | **Typical Range** | **Mode** |
| | 0.5 to 3 | 1 |
| **Convention & Civic Center** | **Annual Room Nights Per Attendee** | |
| | **Typical Range** | **Mode** |
| | 0.1 to 2 | 0.3 |
| **Theme Park Lodging Demand Generation** | **Annual Room Nights Per Visitor** | |
| | **Typical Range** | **Mode** |
| | Negligible to 0.6 | 0.2 |
| **Local Population** | **Annual Room Nights Per Thousand Residents** | |
| | **Typical Range** | **Mode** |
| Suburban, Upper Income Area | 20 to 50 | 25 |
| Suburban, Middle Income Area | 5 to 30 | 10 |
| Center City, Upper Income Area | 25 to 50 | 30 |
| Low Income Areas | Negligible | |

*Average annual daily traffic count

Although these standards represent both the range and mode (the most frequent result) for the different types of demand generators, a word or two of caution is necessary. There probably is no rule of thumb or standard that represents actual conditions in a particular situation--not for hotel demand or for any other application. The value of these guidelines lies in providing a convenient starting point for preliminary estimates of lodging demand from various types of demand generators.

## How the standards can be used

It's possible to estimate the impact a new office building near the site of a hotel will have on lodging demand by using established standards. If the building's tenants will be corporations with a total of 500 employees, then according to the standard, this should provide an estimated 3,500 annual room nights of lodging demand (500 employees multiplied by seven room nights per employee). If information on the number of employees is not available, another standard is that there will be one employee for every 200 to 225 square feet. So a 100,000- to 110,000-square-foot office building might generate 3,500 room nights of lodging demand.

Another example might apply to a community that has a hospital, some office space and a wealthy residential community, but no hotel or lodging facilities. How can the support for a hotel be estimated quickly? If the standards are applied to the number of beds in the hospital, the number of employees in the office buildings and the number of residents, the amount of demand can be estimated by adding together the demand from each generator.

One example of incorrect use of this standard of room nights per square foot would be to estimate demand from increased office construction in a major city with a low vacancy in prime commercial space. As additional prime office space is developed, it will not be occupied by new users or through expansion of existing business activity. Instead, existing activities will occupy an increased amount of space.

The accompanying chart provides more specific guidelines for estimating the demand various factors will generate. If used carefully and logically these standards should be extremely helpful as a starting point for initial estimates of the potential support for lodging in a market area. The following are a few definitions of the terms used in the charts:

1. Room night. The measure of lodging demand, one room occupied for one night equals one room night.
2. Commercial demand. Demand resulting from commercial ventures in a market area including visits from affiliated locations, inspections, temporary housing for employees being relocated and traveling vendors servicing local business.
3. Average annual daily traffic count. The measure of vehicular traffic used by traffic engineers to provide a measure of traffic on a "standard" day.
4. Square feet in office buildings and convention or civic centers. These are based on gross square feet in the complexes.

The total estimate of lodging demand also will include latent demand, which occurs when the need for hotels exists although potential users are finding ways to forego use of hotels. In such cases, travelers may be staying at facilities outside the primary market area.

# THE SCIENCE OF OPERATION IS YIELDING TO THE ART OF MARKETING

*by Robert Eaton*
*Manager, MAS Financial Advisory Services*
*Laventhol & Horwath, San Francisco*

There has been a significant yet subtle change in the lodging industry over the past 20 years. Marketing has taken over the management of the U.S. hotel industry. Not unlike the U.S. economy shifting from an industrial to a service mode, this marketing orientation has been happening gradually. Questions discussed by hotel managers today deal with the market and its dynamics, not with ways to cut dining room food costs. The marketing terminology we use today is "niching or positioning," which simply means observing the marketplace for an opportunity to fill a void. This orientation is working from the standpoint that the industry is more diverse, exciting, romantic and unpredictable than it ever has been.

To demonstrate, below are three want ads illustrating how the qualifications required for hotel general managers have changed during the last 20 years.

**1965**

**GENERAL MANAGER**

*Fast-Growing Hotel Chain Looking For General Managers! Positions Available at Downtown and Resort Properties*

**Men applying must have:**

- minimum five years in hotel operations with rooms - division orientation
- complete knowledge of hotel accounting and auditing techniques
- profit-orientation with strong skills in cost controls.

**Men applying should have:**

- college degree
- some food and beverage training
- public speaking skills.

**Special attributes that will be considered:**

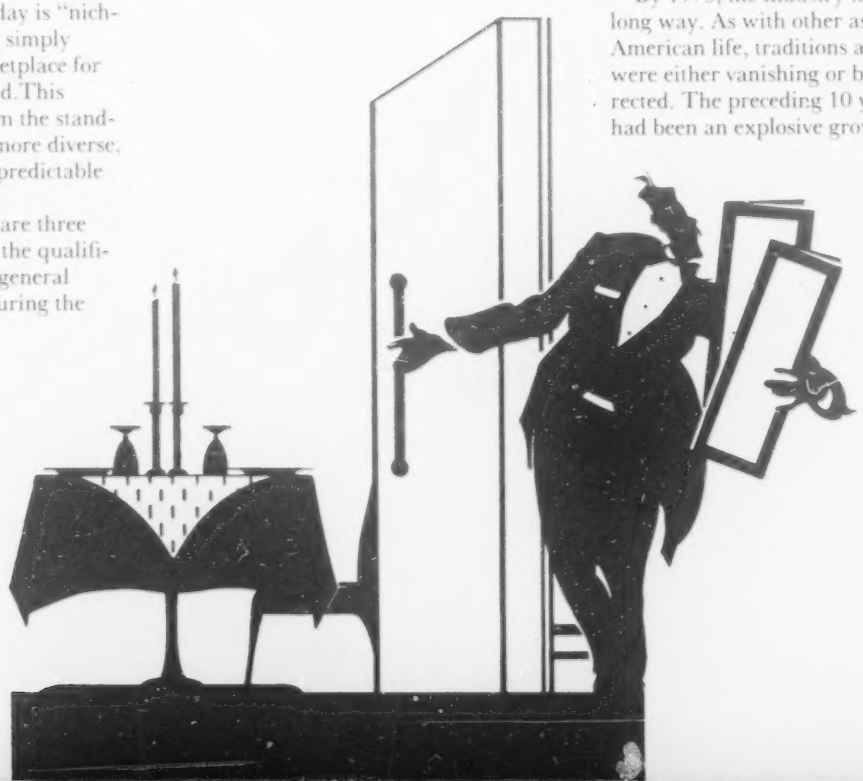
- a CPA license
- playing a musical instrument
- sales-training courses.

In 1965, the hotel industry was at its full operational mode. An individual succeeded in the hotel industry by doing one thing well: "running the hotel." Usually general managers came from the front desk/office and rarely from the food and beverage side of the house. Food and beverage management job advertisements were in the chef's office on clipboards. There were no hotel personnel solely dedicated to the tasks of marketing, nor were general managers required to implement their marketing skills.

The hotel was presented to its potential customers in an almost passive way through minimal advertising and by hosting local social and business events. The only personal interaction between the potential guest and the hotel was with a catering manager. Even though each catering manager tried to distinguish his "breast of capon du jour," the potential customer of a commercial hotel in 1965 did not have many choices.

Although resorts existed, these properties were managed the same way as the downtown properties—from an operational viewpoint.

By 1975, the industry had come a long way. As with other aspects of American life, traditions and values were either vanishing or being redirected. The preceding 10 years or so had been an explosive growth period.



Real lodging demand grew across most market segments. Automation and computers were commonplace in American business but largely missing from lodging operations. The hotels built in this era had open atriums, female general managers and, for the first time, directors of sales and marketing. It was about this time that market segmentation clearly emerged. A classified advertisement for a general manager read something like this:

**1975**

**GENERAL MANAGER**

*Aggressive Growth-Oriented Hotel Company Looking for General Managers*

**Women or men applying must have:**

- minimum three years in the hotel industry (some operations experience useful)
- complete knowledge of the sales function
- profit orientation with good selling and public relations skills.

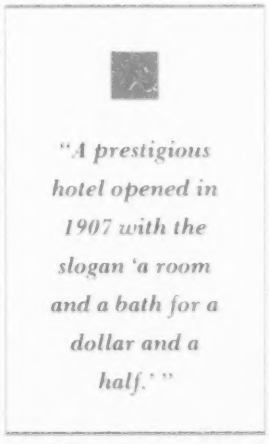
**Women or men applying should have:**

- BA in Business or Hotel Administration
- some food and beverage training
- some experience in advertising.

**Special individual attributes that will be considered:**

- marketing degree
- EST training
- reasonably short hair.

This segmentation could be seen by the emergence of variations in the type of transient lodging available. Luxury properties were available in New York and San Francisco with rates in excess of $100. Executive conference centers were operating in the East, and all-suite hotels had emerged in the Southwest. In just a few short years, the previously unfamiliar area of marketing had become the most appropriate method of evaluating and examining lodging performance. By 1985, the typical ad for a general manager had changed further:



***"A prestigious hotel opened in 1907 with the slogan 'a room and a bath for a dollar and a half.'"***

**1985**

**GENERAL MANAGER REQUIRED**

*Assertive Market-Oriented Hospitality Company Looking for Entrepreneurial Managers*

**Persons applying must have:**

- a minimum of five years in the lodging industry with three years direct involvement in marketing
- complete knowledge of demographic foot-printing techniques
- profit orientation with a yearning for statistics and econometrics.

**Persons applying should have:**

- an MBA and specialization in travel economics or consumer research
- some food and beverage training
- some marketing experience.

**Special attributes that would be considered beneficial:**

- Nonsmoker interested in computer science
- a real estate license
- own a BMW or have run a marathon.

The industry has changed in many ways over the last 20 years. These changes are being instituted by a new marketing orientation that has made its way to top management. The essence of this new approach is the segmenting of demand and tailoring each property to maximizing its potential. And it works! The owners, developers and operators of all-suite hotels, resorts, commercial hotels, executive conference centers and other lodging facilities can be potentially successful by tailoring their offerings to the specific needs of a portion of the traveling public. Their ultimate success, however, is contingent upon their ability to provide true hospitality.

# IMPROVING HOTEL OCCUPANCY: DOES DISCOUNTING REALLY WORK?

*by Janet D. Carroll*
*Research Division*
*Laventhol & Horwath*
*Executive Offices*

Hotels have been offering special discounting programs to convention groups, clubs and weekend travelers for many years to increase business and market share, so that overall demand for their product, the hotel room, will continue to rise. However, how do you determine if discounted rooms could or would have been occupied by these same guests regardless of the rate? Also, are rack rates set artificially high because discounting is just part of doing business in today's highly competitive environment?

Ideally, discounting should permit the sale of rooms that would otherwise remain unoccupied. This policy is not meant to reward guests who already planned a visit to the hotel, change guests' perceptions of the property or alter the hotel's more traditional business patterns. A "luxury" property that continually offers large discounts may jeopardize its reputation and, eventually, may not be able to command posted rack rates when the situation warrants.

Likewise, it is important for the property to build up guest loyalty. Providing a discount, or lowering standard rack rates, should be directed toward attracting guests who either would have chosen alternative lodging or who had no definite or set hotel choice in mind and needed an incentive (in this case, a discount) to make a decision. The guests' level of satisfaction and their overall lodging experience should be positive enough after this "discounted" visit to entice them to return to the same property or chain.

No matter how much the room is discounted, repeat business will almost surely be the result of the quality of room, food and routine service. Once the guest is in the property, the real business of "service" must take over, for poor service will lose a guest, regardless of the price.

Hotel management must be aware of their competitors' actions. They want to offer a better product for a lower price. Other methods of dealing with competitors' low prices will be discussed later in this article. The total package offered the guest is most important, including all amenities (economic and noneconomic), as long as the price differential is not too large between comparable properties.

## Perception of value

Guests must perceive that they are getting value for their money—either that they are paying more for their room and getting "extras" thrown in or that they are paying less and feel they are getting a bargain. If guests believe the hotel was a bargain, there's a good chance they will return to the same property or chain in the future. This philosophy is similar to the "price-value concept" of selling hotel rooms in the economy/limited-service and the all-suite sectors of the lodging industry. "What do I need?" and "What am I getting for my money?" are questions that these two sectors are addressing in their marketing plans. Positive guest perceptions have enabled chains in these sectors to grow by leaps and bounds based on their rapid acceptance by the traveling public.

Guests have to feel that they are not just another guest. When guests receive what they consider to be superior service, more often than not, they will return sometime in the future. This is an example and an advantage of a soft, or noneconomic, extra. Guests should warrant top priority in the property's operation, and they should feel they are getting the attention they deserve. Examples of other noneconomic extras include courteous assistance upon arrival, V.I.P. status, turndown service, baggage handling and express checkout.

## The complete financial picture

An important factor is how the discount rate affects the profit picture. Will the lower rate cover fixed charges? Variable costs? Should services also be conserved when rates are discounted? A complete profit analysis should be reviewed before initiating a discount program.

Just as cost structures and financial obligations are different from property to property, discounts and promotions must also be different. Therefore, management must not only look at what room rates the market will bear, but at the property's financial statements during and after the promotion period. This analysis should answer such questions as:

1. How will a discount program affect cash flow?
2. What will be the effect on payroll expenses? Will the expected increase in occupancy result in more staff?
3. How will breakeven be affected?
4. Will the increased number of occupied rooms offset the lower room rates?

Conducting a thorough analysis will enable management to look at other than purely "bottom line" numbers in the projected results. Before any discounting policy is instituted, the objectives should be clear. If the objective is to increase occupancy, lower room sales per occupied room will be experienced during the discounting program. Management should know what occupancy percentages are needed to bring in an equivalent amount of total room sales during a nondiscounting period and determine the occupancy needed to cover fixed costs.

The "success" of all discounting programs is determined not only by the bottom line, in terms of profit, but in terms of market share. Some considerations are:

1. Has the property or chain actually increased market share through its promotional efforts?
2. Is the property staying competitive or actually losing money during these programs?

> ***"If trends continue, the television set in the guest room of tomorrow will be the centerpiece of a complete in-room entertainment and informational center."***

One factor to consider when starting a program is whether or not the volume of business would be affected if no program was offered. In other words, what would be the impact of discounts or other promotions? If the marketing professionals know the market and the competition well, the answers to these questions will be known and brought to the attention of the decision makers. It must be determined whether the objective of price cutting is to help the property increase market share or to just remain competitive, regardless of the effect on profits.

Another consideration is whether a lower price will compensate for the fact that the property is no longer competitive in the market due to much needed renovations and/or upgrades. If this is the case, a long-range decision must be made as to whether a renovation program must be combined with rate slashing while the property comes up to par with its competition.

## Types of discounting

Various discounting methods currently are employed by hotel management. Some of the most common are:

1. *Discount clubs.* Frequent travelers may build up "points" or "nights" in return for free night stay(s) in the future. There are also clubs whose members are entitled to various discounts and promotions offered throughout the year.
2. *Corporate room rates* are offered to companies that heavily patronize one particular hotel or chain. Corporate travel departments frequently negotiate special rates.
3. *Volume discounts* or conference rates are offered to groups guaranteeing that a block of rooms will be occupied (sold).
4. *Gimmicks* involve putting more into a hotel package than just a room. This could include tickets to a special attraction and possibly transportation, to cash in on demand generators outside the property. This may mean keeping rack rates the same or raising them slightly to cover the price of the gimmick. Gimmicks may also involve special events *inside* the hotel, such as mystery weekends, fashion shows, hotel parties or entertainment. Amenities and promotions, which include other companies' products (restaurant discounts, car rentals) also may enhance the perceived value of the gimmick.
5. *Use of outside agents.* Agents can secure a room that may not have been sold otherwise, then pass this discount along to a potential guest.
6. *Hotel money* for spending on the current stay.
7. *Discounts or freebies* included for "one night only" on stays of longer durations.

8. *Upgraded rooms.* Some hotels will provide a multiple-occupied room at the price of a single room.

Discounting room rates can be very effective when properly used. Creating and implementing a successful discount program depends upon knowing the overall market, competitors, the hotel, its guests and potential guests. Therefore, management must approach the proposed program knowing what the short- and long-term effects will be in order to avoid unwanted surprises. It must establish the necessary evaluation criteria to insure an effective and successful campaign and set review points throughout the program.

## How much discounting?

The following information looks at the past two years of discounting throughout the United States. All figures shown are based on Laventhol & Horwath's *Inventory of the Lodging Industry, U.S. Lodging Industry 1985* and *U.S. Lodging Industry 1986.*

The accompanying tables depict the overall rack rates and the discounts received by guests during 1984 and 1985, by location of establishment. These figures illustrate the high level of discounting employed by properties in resort locations, averaging 28.1 percent (1984) and 23.5 percent (1985) of advertised room rates during each year. Center city and airport properties rented rooms at 20 percent and 28 percent below the stated room rates in 1984, respectively, and 23 percent and 24 percent below stated rack rates in 1985, respectively. Highway properties reported the smallest discounts by location in both years analyzed, possibly because the majority of the guests are transient and not preregistered.

### Advertised Rack Rates and Discount Percentages*

*Location vs. Size of Property*

1984

| Location | Under 150 Rooms | 150–249 Rooms | 250–449 Rooms | 450 or More Rooms |
|---|---|---|---|---|
| Center City | $35.00<br>–15.4% | $48.00<br>–17.7% | $67.00<br>–19.8% | $ 86.00<br>–21.8% |
| Suburban | $33.00<br>–8.6% | $48.00<br>–21.3% | $64.00<br>–23.2% | N/A |
| Airport | N/A | $50.00<br>–29.3% | $62.00<br>–29.0% | $ 80.50<br>–13.9% |
| Highway | $31.00<br>–14.6% | $44.00<br>–8.9% | $53.00<br>–18.5% | N/A |
| Resort | N/A | $60.00<br>–21.6% | $72.00<br>–37.5% | $ 89.00<br>–25.7% |

1985

| Location | Under 150 Rooms | 150–249 Rooms | 250–449 Rooms | 450 or More Rooms |
|---|---|---|---|---|
| Center City | $37.00<br>–16.5% | $53.00<br>–20.1% | $74.00<br>–26.5% | $101.00<br>–28.1% |
| Suburban | $35.00<br>–11.1% | $52.00<br>–15.3% | $71.00<br>–21.0% | N/A |
| Airport | N/A | $53.00<br>–24.4% | $73.00<br>–29.1% | $91.00<br>–33.6% |
| Highway | $32.00<br>–10.7% | $45.00<br>–17.7% | $59.00<br>–22.7% | N/A |
| Resort | $52.00<br>–15.2% | $66.00<br>–21.2% | $80.00<br>–29.9% | $ 99.50<br>–31.7% |

N/A—Not available.
*All amounts are medians.

Overall discounts changed from 20.9 percent in 1984 to 19.9 percent in 1985. Coupled with an average rack rate increase of 5.3 percent, hotel operators received higher actual rates in 1985, compared with 1984. This increase was higher than the 3.6 percent increase in the Consumer Price Index of all urban consumers, which represents inflation of average purchases in 1985. This shows that hotel operators realized relatively higher rates for their rooms when compared with merchants in other industries. Therefore, despite the high level of discounting, hotel rates increased faster than inflation during 1985. This information must be viewed in conjunction with occupancy, room rate and profitability levels during this same period of time to evaluate the situation fully.

Room rates increased 3.2 percent and occupancy levels dropped 3.5 percent, as reported in this publication, while the net increase in the number of daily rooms available rose 1.9 percent. With the large number of rooms added to the market, discounting and a multitude of gimmicks have continued unabated in an effort to attract guests. The increase in advertised rates, lessened by operators' discounts and the net increase of an estimated 50,000 lodging rooms, are probably the leading reasons why occupancy levels declined during 1985.

## The effect on the bottom line

Profitability levels for 1984 and 1985 are presented in the accompanying table.

### Amounts Per Available Room*

| | Profit Before Income Taxes | | |
|---|---|---|---|
| | 1985 | 1984 | Change |
| All Establishments | $ (56) | $ 505 | $ (561) |
| Center City | (708) | (48) | (660) |
| Suburban | 454 | 420 | 34 |
| Airport | 56 | 1,105 | (1,049) |
| Highway | 456 | 1 | 455 |
| Resort | (692) | (657) | (35) |

*Based on median amounts presented in *U.S. Lodging Industry 1985* and *U.S. Lodging Industry 1986*.

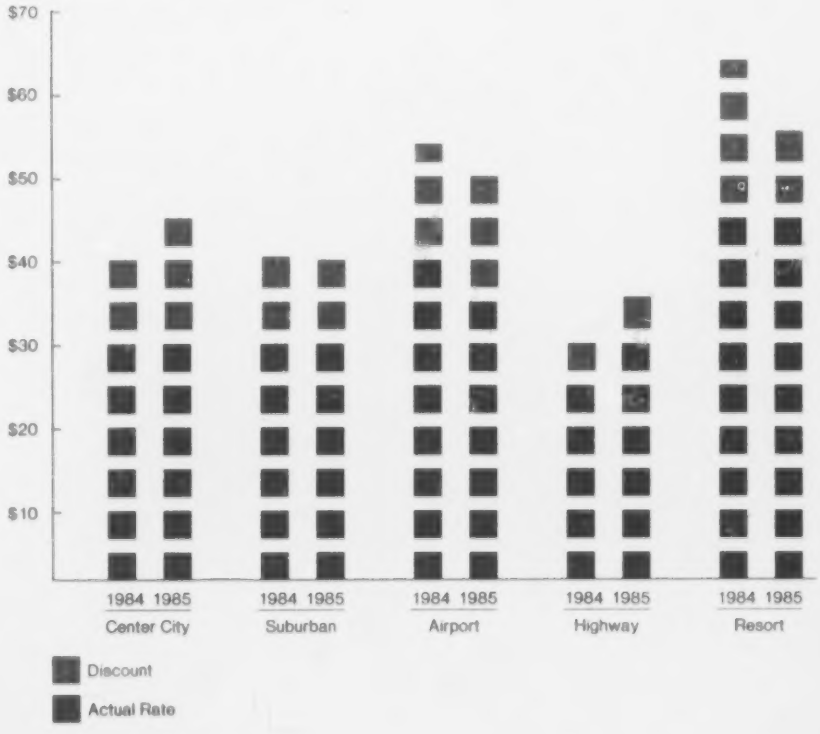
Overall, profitability decreased, with a median increase in fixed charges of $660 per available room. This helped force income before fixed charges to a loss of $56 per available room. A significant contribution to this decline is the increase in three fixed expenses, detailed below:

| | Median Change Per Available Room | Percent Change |
|---|---|---|
| Property Taxes | $41 | 19.4% |
| Property Insurance | 85 | 103.7 |
| Depreciation & Amortization | 452 | 28.8 |

Rising rates are taking a toll on the lodging industry, but they are a hedge against further loss due to the overall increase in fixed charges, which cannot be avoided. Competition is forcing discounts, which help properties maintain occupancy levels.

The U.S. lodging industry continues to reshape itself through mergers and acquisitions. These changes are forcing out properties that cannot compete against larger, more established chains. In addition, some chains continue to diversify into segments of the industry that were not their original focal point. In the future, these changes will probably cause discounting levels to drop slightly, as the remaining properties look toward the bottom line. Many will find ways to trim expenses without necessarily reducing revenue in an effort to raise net income.

### Rack Rates by Location*




*All amounts are medians.

# LODGING INDUSTRY REVIEW

*by Mark A. Orlinsky*
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*Laventhol & Horwath*
*Executive Offices*

The hotel industry experienced one of its most interesting years in 1985. The year began with great optimism fueled by sharp increases in 1984 in both daily occupancy rates and average room rates. Some concern was expressed about the rapid addition of new rooms, but the industry's 1984 performance demonstrated an ability to absorb them and still show growth.

Unfortunately, this trend did not continue in 1985. Occupancy rates dropped 3.5 percent from the previous year to 65.5 percent. This number may appear a bit misleading in judging the overall growth of the industry. Laventhol & Horwath estimates that during 1984 and 1985, available rooms increased 140,000. In 1983 occupancy was 66.1 percent; viewed in conjunction with the substantial addition of new rooms, it is clear that although the demand for rooms has grown significantly, it is being distributed among more properties.

The average daily cost of a hotel room in the United States rose 3.2 percent in 1985 to $53.81. This increase is just shy of the Consumer Price Index, which rose 3.6 percent during the same period. This was not particularly good news to industry operators but was expected under current market conditions. The large supply of available rooms and low inflation have placed the consumer, especially corporate and meeting travelers, in a position to negotiate lower rates. As a result, operators have failed to generate rates to compensate for declining occupancies and rising expenses.

Perhaps the most dramatic result in this year's report is that, overall, the properties responding to our survey show a $56 per room net loss before income taxes, compared with net income of $505 in 1984. Several items contributed to this significant change:

1. *Administrative and general insurance* costs rose from $76 per room in 1984 to $178 in 1985. This includes insurance associated with food and beverage operations, which has skyrocketed recently in response to legislative changes in liquor liability laws.
2. *Property insurance costs* rose 97.6 percent from $82 to $162 per room. This is a result of insurance companies recovering from a period of discounting of policies to increase business. The increased cash generated was reinvested for high returns. However, due to falling interest rates, this method is no longer cost-effective for the insurance industry. In addition, recent court rulings in negligence cases have facilitated large premium increases.
3. *Depreciation and amortization* rose 28.9 percent from $1,569 to $2,022 per room. Reduced interest rates have spurred increased investment in depreciable items. Recent remodeling and renovation, as well as uncertainty over the effects of tax reform proposals, also have contributed to this increase.
4. *Other significant increases:* Rent increased 13.7 percent to $349; property taxes rose 19.4 percent to $591.

## State of the industry

### *Segmentation*

Like other "mature" industries, the hotel industry is now experiencing a period of segmentation. Segmentation occurs when members of an industry believe that opportunities for expansion in their existing stratum of business are not sufficient to maintain or increase growth at a desired level.

> ***"During the 19th century, hotels were sometimes the first buildings constructed in remote locations, in the hope that a thriving community would grow up around them."***

As with any investment involving real estate, a key factor in the success of a hotel development is its location. With the significant additions to the number of hotels in the United States, the number of quality locations for new lodging establishments has become limited. Many markets have reached the point where the traditional type of hotel can not be added to the existing supply without adversely affecting the current condition of the overall market. This is one of the key items in understanding the proliferation of segmentation among hotel chains and management companies.

Another contributing factor to segmentation has been the availability of capital from large financial institutions willing to participate in hotel investments. With capital backing, chains and management companies have actively pursued feasible projects that warrant development. Frequently, the feasible project is in an area outside the operator's traditional market segment.

The most difficult aspect of this industry segmentation has been establishing clear definitions of the new segments. With so many new products entering the marketplace, it has become increasingly harder to differentiate between products. Classification has been made more difficult because certain chains consider their product in one segment, while, if a standard definition is applied, the type might fall within another.

Segmentation has shifted the focus of the lodging industry from an operational to a marketing focus. As each new segment emerges, the importance of how the product is marketed becomes paramount. The current glut of rooms in many markets has made competition fierce. Until the demand for rooms catches up with the existing supply, this will remain a key concern to industry operators.

### *Overbuilding*

The current status of the industry has popularly been referred to as "overbuilt" by many industry analysts. This appears to be an oversimplification of current market conditions. Admittedly, there are imbalances between lodging supply and demand in selected market segments. In reality, however, the current situation is a prime example of the traditional cyclical nature of the industry.

The current situation is the result of several factors. Strategic planning by lodging operators involves redirection into new products and services, which makes many new opportunities available. In the past, if locations were not suitable for their product type, the chains would not build there. Now, however, a location is judged by what type of property would operate most profitably in that location. This allows for many more possibilities in locations that previously would have been passed over.

Tax reform has also played an important part in increased industry development. The Economic Recovery Tax Act (ERTA) of 1981 provided new incentives for hotel development through shorter depreciation schedules and tax credit changes. This act shifted some of the development emphasis from strictly economic feasibility toward meeting investor requirements.

Some developers also believe that newer properties can compete favorably against older ones. The theory is that the new properties will prematurely force older ones out of the marketplace. In some cases, newer properties have attracted demand away from older hotels. The response has included a significant amount of renovation and remodeling in order to bring older properties up to a competitive level.

### *Consolidation*

With the new additions to the supply of properties, a period of consolidation appears to be ahead. Currently, the supply of rooms is growing at a faster rate than the corresponding demand. This cannot continue indefinitely without properties being forced out.

Tax reform has been a hot topic for the past several years. It appears that sufficient pressure finally has been created, almost assuring that some type of tax proposal will be ratified. What the final bill will contain is uncertain, but it probably will eliminate some of the provisions that have encouraged recent lodging growth. The net effect of the anticipated tax reform should be a redirection of the hotel industry to consider alternatives to new development.



***"In 1834, New England-trained hotel managers were in demand over the nation."***

The basic supply and demand law of economics will dictate the period following this reform. Property turnover will be more prevalent than property development. Many properties that are not performing up to expectations or that no longer meet their corporate direction may be acquired by another company that is expanding in that market or segment and finds it more cost efficient to purchase an existing property than to develop a new one.

The 1985 Prime Motor Inns and Marriott Corporation acquisition of Howard Johnson from Imperial Group Ltd. is an example of what may be on the horizon. Many of the properties acquired in the deal were in locations where sites would be difficult to acquire otherwise. Although many are older and not outstanding performers, the new ownership has indicated that the acquisition price and the management expertise they can provide will make these properties very successful.

This trend should become more popular since this type of arrangement can be advantageous to both parties involved. Many recently built properties have failed to achieve the expected cash flows necessary to reach profitability. Other chains and management companies might be able to acquire these properties at costs below development value and make them work with the new basis. The original owner can eliminate the daily loss and unload the property with a tax write off.

Another possible form of consolidation relates to segmentation. The operators currently entering new market segments may find they lack the expertise in the new area to perform successfully, but wish to proceed in spite of this. The solution may be to acquire another company with more experience in the area. The current Holiday Inn relationship with Embassy Suites illustrates this form of consolidation. This approach might also allow some smaller companies to join forces to enjoy the benefits of economies of scale and to compete more effectively with larger operators.

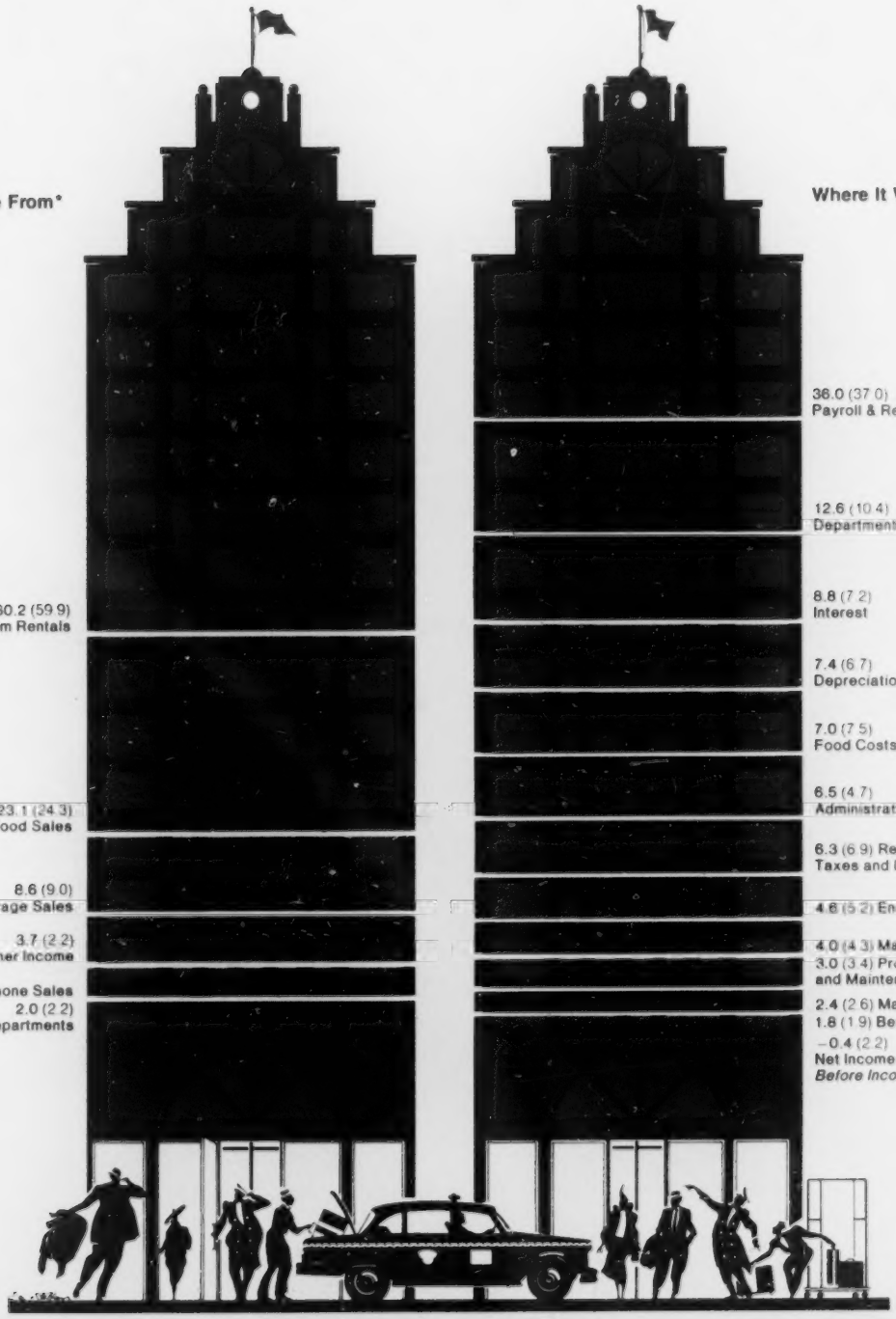
### *Conclusion*

The lodging industry is at a crossroads in 1986. It has reached a point where the supply of available rooms has exceeded its corresponding demand. Market segmentation, tax reform and the availability of capital have spurred aggressive development. But in its traditional cyclical pattern, the industry should begin to slow development and consolidate until the supply and demand equilibrium moves closer together. Tax reform will play a big part in this, as modification to the current tax code will make investors' requirements much more difficult to achieve. This does not mean that development will come to a standstill; rather, it will become more selective. Operators will analyze their current portfolio of properties and weigh the acquisition versus development alternatives.

### Highlights

- Questionnaires were received from 725 properties, of which 610 were utilized in this report.
- Occupancy was reported at 65.5 percent, a 3.5 percent drop from 67.9 percent in 1984.
- Average rate rose to $53.81, 3.2 percent higher than the $52.13 reported in 1984.
- Total sales per available room dropped 3.6 percent to $20,118.
- Net income before income tax showed a loss of $56 per available room compared with net income of $505 in 1984.

# The U.S. Lodging Industry Dollar 1985


Where It Came From*
60.2 (59.9) Guest Room Rentals
23.1 (24.3) Food Sales
8.6 (9.0) Beverage Sales
3.7 (2.2) Rental & Other Income
2.4 (2.4) Telephone Sales
2.0 (2.2) Minor Operated Departments
Where It Went*
36.0 (37.0) Payroll & Related
12.6 (10.4) Department Expenses
8.8 (7.2) Interest
7.4 (6.7) Depreciation
7.0 (7.5) Food Costs
6.5 (4.7) Administrative and General
6.3 (6.9) Rental, Municipal Taxes and Insurance
4.6 (5.2) Energy
4.0 (4.3) Marketing
3.0 (3.4) Property Operation and Maintenance
2.4 (2.6) Management Fees
1.8 (1.9) Beverage Costs
–0.4 (2.2) Net Income (Loss) Before Income Tax

*Based on the weighted mean. 1984 amounts in parentheses

## Exhibit 1

*1986 Profile of Contributors*

| Affiliation | | Rates | |
|---|---|---|---|
| Chain/Owned | 44.5% | Under $40.00 | 17.6% |
| Chain/Leased | 1.1 | $40.00-$54.99 | 34.5 |
| Chain/Managed | 10.5 | $55.00-$69.99 | 23.9 |
| Chain/Franchised | 23.7 | $70.00-$84.99 | 11.8 |
| Independent | 14.6 | Over $85.00 | 12.2 |
| Not Reported | 5.6 | | |
| **Location** | | **Region** | |
| Center City | 30.6% | Northeast | 14.5% |
| Suburban | 24.7 | Southeast | 19.3 |
| Airport | 11.5 | North Central | 21.6 |
| Highway | 16.1 | South Central | 16.5 |
| Resort | 12.0 | West | 28.1 |
| Not Reported | 5.1 | | |
| **Occupancy** | | **Size** | |
| Less than 50% | 15.5% | Under 150 Rooms | 25.4% |
| 50-59% | 18.8 | 150-299 Rooms | 41.7 |
| 60-69% | 30.3 | 300-600 Rooms | 23.5 |
| 70-79% | 27.5 | Over 600 Rooms | 9.4 |
| Over 80% | 7.9 | | |

| F&B Sales as a Ratio to Room Sales | |
|---|---|
| Restaurant Not Reported | 12.7% |
| Less than 50% | 39.6 |
| 50-74% | 26.2 |
| 75-100% | 12.8 |
| Over 100% | 8.7 |

## Exhibit 2
*Market Data*

| | All Establishments | Region | | | | |
|---|---|---|---|---|---|---|
| | | Northeast | Southeast | North Central | South Central | West |
| **Source of Business** | | | | | | |
| Foreign | 7.8% | 11.0% | 8.6% | 7.1% | 9.2% | 7.1% |
| Domestic | 92.2 | 89.0 | 91.4 | 92.9 | 90.8 | 92.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Percentage of Repeat Business | 41.4% | 45.3% | 39.0% | 47.5% | 48.3% | 33.3% |
| **Composition of Market** | | | | | | |
| Leisure | 29.6% | 23.5% | 35.9% | 24.4% | 23.2% | 33.7% |
| Business/Government | 44.1 | 53.9 | 39.7 | 46.1 | 50.3 | 40.9 |
| Conference Participants | 18.5 | 13.4 | 15.6 | 22.9 | 18.2 | 18.9 |
| Other | 7.8 | 9.2 | 8.8 | 6.6 | 8.3 | 6.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Percentage of Guests with Advanced Reservations | 63.8% | 75.9% | 59.0% | 74.7% | 48.6% | 56.0% |
| **Advanced Reservation Mix** | | | | | | |
| Direct Inquiry | 40.7% | 30.5% | 34.3% | 46.1% | 41.4% | 42.5% |
| Reservation Systems | 28.0 | 33.2 | 28.1 | 28.7 | 27.6 | 25.3 |
| Travel Agent & Tour Operators | 18.7 | 22.6 | 20.5 | 13.8 | 16.7 | 20.5 |
| Hotel Representative | 10.8 | 12.3 | 15.0 | 10.3 | 13.0 | 9.4 |
| Transportation Company | 1.8 | 1.4 | 2.1 | 1.1 | 1.3 | 2.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

## Exhibit 3
*Distribution of Sales*

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Sales Distribution** | | | | | |
| Cash Sales | 31.9% | 35.6% | 30.3% | 27.1% | 21.9% |
| Credit Card Sales | 51.5 | 47.8 | 51.6 | 49.1 | 51.8 |
| All Other Credit Sales | 16.6 | 16.6 | 18.1 | 23.8 | 26.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Percentage of Cash Sales from Travel Agents & Tour Operators | 14.0% | 10.8% | 16.9% | 12.1% | 17.5% |
| **Percentage of Credit Card Sales by Card** | | | | | |
| American Express | 47.9% | 39.6% | 47.6% | 56.2% | 56.9% |
| Visa | 26.7 | 30.2 | 26.2 | 24.4 | 23.6 |
| MasterCard | 17.3 | 22.6 | 17.3 | 12.9 | 10.4 |
| Diner's Club | 6.0 | 5.3 | 6.7 | 5.0 | 5.6 |
| Other | 2.1 | 2.3 | 2.2 | 1.5 | 3.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

## Exhibit 4

*Comparison of Sales and Profitability by Selected Criteria**

| | Total Sales | | Income Before Fixed Charges | | Net Income (Loss) Before Income Tax | |
|---|---|---|---|---|---|---|
| | 1985 | 1984 | 1985 | 1984 | 1985 | 1984 |
| **Size** | | | | | | |
| Under 150 Rooms | $15,236 | $13,806 | $ 4,670 | $ 4,530 | $ 435 | $ 1,092 |
| 150-299 | 18,674 | 19,617 | 4,016 | 4,530 | (587) | 312 |
| 300-600 | 27,123 | 26,371 | 5,653 | 4,917 | (96) | (73) |
| Over 600 | 31,403 | 32,677 | 7,990 | 7,261 | 374 | 1,901 |
| **Rate** | | | | | | |
| Under $40.00 | $10,344 | $11,311 | $ 1,885 | $ 3,051 | $ (376) | $ 505 |
| $40.00-$54.99 | 16,845 | 18,263 | 4,351 | 4,315 | 424 | (36) |
| $55.00-$69.99 | 22,805 | 25,060 | 4,641 | 6,026 | (1,462) | 679 |
| $70.00-$84.99 | 29,163 | 32,221 | 6,593 | 8,665 | 217 | 1,676 |
| Over $85.00 | 43,916 | 43,724 | 12,011 | 10,073 | 2,636 | 1,236 |
| **Occupancy** | | | | | | |
| Under 50% | $13,004 | $16,135 | $ 648 | $ 646 | $(3,185) | $(2,664) |
| 50-59% | 18,085 | 18,263 | 3,196 | 2,624 | (444) | (1,302) |
| 60-69% | 19,907 | 20,732 | 5,215 | 4,467 | (184) | 670 |
| 70-79% | 23,051 | 22,915 | 7,644 | 6,774 | 2,318 | 1,642 |
| Over 80% | 28,352 | 23,927 | 10,067 | 8,073 | 4,341 | 3,137 |
| **Restaurant Not Operated** | $12,102 | $11,106 | $ 4,331 | $ 4,883 | $ 1,957 | $ 2,104 |
| **Restaurant Operated (Total Food & Beverage Sales as a Ratio to Room Sales)** | | | | | | |
| Under 50% | $17,976 | $18,657 | $ 4,857 | $ 5,399 | $ 445 | $ 922 |
| 50-74% | 22,804 | 22,891 | 5,173 | 5,170 | 174 | 283 |
| 75-100% | 27,122 | 26,240 | 5,301 | 4,068 | (770) | N |
| Over 100% | 30,974 | 27,594 | 3,736 | 2,855 | (2,577) | (3,126) |
| **Location** | | | | | | |
| Center City | $22,014 | $23,641 | $ 4,674 | $ 4,095 | $ 487 | $ (48) |
| Suburban | 19,587 | 21,043 | 5,287 | 4,502 | 455 | 420 |
| Airport | 19,858 | 20,145 | 5,805 | 6,039 | 56 | 1,105 |
| Highway | 14,410 | 15,351 | 3,872 | 4,260 | 457 | 1 |
| Resort | 22,939 | 28,514 | 6,144 | 5,826 | (693) | (657) |
| **Region** | | | | | | |
| Northeast | $23,337 | $26,880 | $ 5,236 | $ 7,207 | $ 14 | $ 1,931 |
| Southeast | 19,571 | 20,557 | 4,355 | 4,825 | (1,038) | (125) |
| North Central | 19,400 | 19,898 | 5,194 | 4,600 | (29) | 220 |
| South Central | 15,317 | 15,473 | 3,657 | 4,059 | 267 | (466) |
| West | 22,824 | 22,881 | 6,044 | 5,326 | 517 | 910 |
| **Median, All Establishments** | $20,880 | $20,118 | $ 4,857 | $ 5,014 | $ (56) | $ 505 |

*All figures are medians and do not necessarily add to totals shown.
N—Negligible.

## Exhibit 5

*General Statistics**

| | Ratio of Income Before Fixed Charges to | | | |
|---|---|---|---|---|
| | Room Sales | | Total Sales | |
| | 1985 | 1984 | 1985 | 1984 |
| **Size** | | | | |
| Under 150 Rooms | 38.2% | 42.8% | 21.0% | 29.5% |
| 150-299 | 36.5 | 39.0 | 22.6 | 25.2 |
| 300-600 | 36.5 | 32.3 | 20.4 | 18.2 |
| Over 600 | 41.4 | 39.4 | 23.7 | 24.8 |
| **Rate** | | | | |
| Under $40.00 | 26.1% | 37.8% | 19.0% | 25.3% |
| $40.00-$54.99 | 40.2 | 38.9 | 23.8 | 25.0 |
| $55.00-$69.99 | 30.5 | 40.6 | 18.5 | 22.5 |
| $70.00-$84.99 | 38.4 | 42.2 | 20.4 | 25.8 |
| Over $85.00 | 43.0 | 39.2 | 26.3 | 23.8 |
| **Occupancy** | | | | |
| Under 50% | 9.7% | 10.8% | 4.7% | 6.2% |
| 50-59% | 31.7 | 27.8 | 20.0 | 16.8 |
| 60-69% | 38.5 | 37.0 | 22.5 | 23.5 |
| 70-79% | 44.4 | 45.3 | 28.0 | 29.7 |
| Over 80% | 46.2 | 50.2 | 30.6 | 34.4 |
| **Location** | | | | |
| Center City | 33.3% | 33.8% | 20.0% | 22.4% |
| Suburban | 41.4 | 39.8 | 25.5 | 26.1 |
| Airport | 39.2 | 44.3 | 26.0 | 30.4 |
| Highway | 36.5 | 38.5 | 22.7 | 27.1 |
| Resort | 37.9 | 37.0 | 20.9 | 20.1 |
| **Region** | | | | |
| Northeast | 35.8% | 42.5% | 20.2% | 22.4% |
| Southeast | 37.5 | 38.3 | 22.0 | 26.1 |
| North Central | 39.4 | 40.7 | 24.5 | 30.4 |
| South Central | 33.2 | 37.1 | 22.4 | 27.1 |
| West | 38.5 | 39.2 | 21.5 | 20.1 |
| **Median, All Establishments** | 37.4% | 39.0% | 22.2% | 24.5% |

*All figures are medians and do not necessarily add to totals shown.

## Exhibit 6

*Composition of Sales**

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| Rooms | 65.3% | 73.8% | 64.8% | 59.3% | 59.7% |
| Food | 21.0 | 14.7 | 21.4 | 25.5 | 24.3 |
| Beverage | 8.1 | 6.4 | 8.6 | 9.1 | 7.6 |
| Telephone | 2.4 | 2.2 | 2.6 | 2.4 | 2.5 |
| Minor Operated Departments | 1.6 | 1.0 | 1.3 | 2.0 | 3.4 |
| Rentals & Other Income | 1.6 | 1.9 | 1.3 | 1.7 | 2.5 |

*All amounts are means.

## Exhibit 7

*Occupancy, Double Occupancy and Average Rate**

| | Percentage of Occupancy | | Percentage of Double Occupancy | | Average Room Rate | |
|---|---|---|---|---|---|---|
| | 1985 | 1984 | 1985 | 1984 | 1985 | 1984 |
| **Size** | | | | | | |
| Under 150 Rooms | 66.4% | 70.4% | 75.7% | 50.6% | $45.04 | $40.29 |
| 150-299 | 64.3 | 67.4 | 46.9 | 33.9 | 49.68 | 48.49 |
| 300-600 | 65.0 | 65.1 | 52.5 | 37.5 | 65.34 | 63.99 |
| Over 600 | 67.9 | 68.8 | 132.5 | 55.0 | 80.30 | 73.49 |
| **Rate** | | | | | | |
| Under $40.00 | 59.6% | 65.5% | 46.5% | 44.0% | $35.62 | $35.19 |
| $40.00-$54.99 | 66.3 | 68.3 | 38.8 | 34.8 | 47.49 | 47.79 |
| $55.00-$69.99 | 65.0 | 67.6 | 57.4 | 44.2 | 60.98 | 61.09 |
| $70.00-$84.99 | 67.7 | 70.7 | 61.0 | 49.3 | 77.40 | 75.65 |
| Over $85.00 | 69.8 | 69.7 | 88.6 | 55.6 | 101.20 | 98.25 |
| **Occupancy** | | | | | | |
| Under 50% | 44.9% | 46.1% | 83.3% | 49.6% | $50.79 | $49.89 |
| 50-59% | 55.9 | 56.3 | 76.2 | 37.8 | 50.31 | 49.18 |
| 60-69% | 65.2 | 65.1 | 64.4 | 46.9 | 54.03 | 54.02 |
| 70-79% | 74.5 | 73.8 | 43.0 | 32.2 | 56.32 | 53.45 |
| Over 80% | 85.9 | 83.0 | 51.0 | 49.1 | 60.26 | 52.86 |
| **Location** | | | | | | |
| Center City | 64.6% | 63.7% | 50.0% | 42.2% | $62.63 | $59.82 |
| Suburban | 65.8 | 71.1 | 99.4 | 27.1 | 52.81 | 51.49 |
| Airport | 67.8 | 68.4 | 39.3 | 40.3 | 51.13 | 50.11 |
| Highway | 65.1 | 72.3 | 47.1 | 41.6 | 41.70 | 44.17 |
| Resort | 65.7 | 67.0 | 128.9 | 82.1 | 58.22 | 62.03 |
| **Region** | | | | | | |
| Northeast | 68.9% | 70.8% | 45.0% | 30.2% | $61.37 | $61.95 |
| Southeast | 64.6 | 67.0 | 54.8 | 51.2 | 53.19 | 54.44 |
| North Central | 63.8 | 65.2 | 47.1 | 39.2 | 48.52 | 46.79 |
| South Central | 60.4 | 65.0 | 49.1 | 38.9 | 49.69 | 45.80 |
| West | 68.3 | 70.6 | 78.6 | 51.7 | 57.01 | 53.63 |
| Median, All Establishments | 65.5% | 67.9% | 55.5% | 40.3% | $53.81 | $52.15 |

*All amounts are medians.

*"Inns kept for profit appeared about the 15th century and gained a reputable standing in England, often being named for the powerful family on whose holdings they were established."*

| Location of Property | | | | | Restaurant Operated—Food & Beverage Sales as a Ratio to Room Sales | | | |
|---|---|---|---|---|---|---|---|---|
| Center City | Suburban | Airport | Highway | Resort | Less than 50% | 50-74% | 75-100% | Over 100% |
| 65.8% | 65.7% | 65.8% | 69.0% | 61.2% | 71.4% | 58.6% | 48.9% | 40.8% |
| 20.6 | 21.3 | 20.8 | 18.3 | 21.8 | 17.3 | 25.8 | 30.2 | 37.9 |
| 7.2 | 8.2 | 8.6 | 9.1 | 7.8 | 6.4 | 10.6 | 12.6 | 13.3 |
| 2.7 | 2.4 | 2.8 | 2.2 | 1.9 | 2.7 | 2.6 | 1.9 | 1.5 |
| 1.7 | 1.0 | 0.7 | 0.4 | 4.9 | 0.8 | 1.1 | 4.7 | 3.8 |
| 2.0 | 1.4 | 1.3 | 1.0 | 2.4 | 1.4 | 1.3 | 1.7 | 2.7 |

## Exhibit 8

*Sales Per Guest Day**

| | All Establishments | Location of Property | | | | |
|---|---|---|---|---|---|---|
| | | Center City | Suburban | Airport | Highway | Resort |
| Rooms | $42.38 | $42.63 | $42.12 | $45.35 | $41.00 | $37.50 |
| Food & Beverage | 25.92 | 27.12 | 28.61 | 23.30 | 22.04 | 25.95 |
| Telephone | 1.67 | 1.80 | 1.69 | 1.79 | 1.04 | 0.94 |
| Minor Departments | 1.03 | 1.09 | 0.73 | 0.28 | 0.18 | 7.45 |
| Rentals & Other Income | 1.04 | 1.25 | 0.79 | 0.71 | 0.77 | 1.26 |
| Total | $75.24 | $77.43 | $75.38 | $64.14 | $73.12 | $74.22 |

*All figures are medians and do not necessarily add to totals shown.

## Exhibit 9

*Rooms Department*
*Median Ratio to Room Sales and Ratio to Total Sales*

| | All | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Revenue** | | | | | |
| Room Sales | 100.5% | 100.0% | 100.6% | 100.9% | 100.7% |
| Allowances | 0.8 | 0.7 | 0.9 | 0.9 | 0.7 |
| Net Revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Expenses** | | | | | |
| Payroll & Related | 17.6% | 17.3% | 17.4% | 17.9% | 19.1% |
| Travel Agent Commissions & Reservation Expense | 2.2 | 1.5 | 2.1 | 2.7 | 2.7 |
| Contract Cleaning, Dry Cleaning, Linen & Laundry | 2.2 | 2.2 | 1.7 | 2.6 | 2.9 |
| Operating Supplies | 1.9 | 1.7 | 2.0 | 1.9 | 1.8 |
| All Other Expenses | 1.8 | 2.2 | 2.0 | 1.6 | 1.1 |
| Total Departmental Expenses | 26.0 | 24.8 | 25.5 | 28.0 | 29.1 |
| Net Departmental Income | 74.0% | 75.3% | 74.5% | 72.0% | 70.9% |
| **Ratio to Total Sales** | | | | | |
| Net Revenue | 63.4% | 73.0% | 63.9% | 59.7% | 59.6% |
| Payroll & Related Expenses | 11.1 | 12.1 | 11.0 | 10.6 | 11.3 |
| Net Departmental Income | 46.6% | 54.6% | 47.6% | 42.7% | 43.9% |

*"Today, television is the most necessary lodging amenity."*

| Average Daily Rate | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | Over $85.00 |
| | | | | |
| 100.1% | 100.4% | 100.7% | 100.9% | 100.6% |
| 1.3 | 0.8 | 0.8 | 1.0 | 0.6 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| 18.6% | 16.7% | 17.9% | 18.8% | 17.2% |
| 1.3 | 1.7 | 2.2 | 2.6 | 2.6 |
| 2.1 | 1.8 | 2.5 | 2.7 | 2.6 |
| 2.0 | 1.9 | 1.9 | 1.9 | 1.9 |
| 2.5 | 1.9 | 1.8 | 1.5 | 1.3 |
| 26.8 | 24.4 | 26.4 | 28.9 | 26.0 |
| 73.3% | 75.6% | 73.6% | 71.2% | 74.0% |
| | | | | |
| 72.4% | 64.0% | 59.9% | 60.3% | 60.1% |
| 12.5 | 10.8 | 10.9 | 11.4 | 9.9 |
| 51.3% | 48.5% | 44.3% | 44.7% | 43.8% |

## Exhibit 10

*Rooms Department*

*Median Amounts Per Room and Amount Per Occupied Room*

| | All | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Revenue** | | | | | |
| Room Sales | $12,562 | $11,007 | $11,735 | $15,654 | $18,111 |
| Allowances | 120 | 88 | 118 | 134 | 126 |
| Net Revenue | $12,672 | $10,923 | $11,506 | $15,966 | $19,049 |
| **Expenses** | | | | | |
| Payroll & Related | $ 2,208 | $ 1,833 | $ 1,894 | $ 2,789 | $ 3,527 |
| Travel Agent Commissions & Reservation Expense | 270 | 160 | 220 | 435 | 493 |
| Contract Cleaning, Dry Cleaning, Linen & Laundry | 277 | 232 | 187 | 409 | 598 |
| Operating Supplies | 246 | 207 | 222 | 307 | 373 |
| All Other Expenses | 245 | 257 | 243 | 248 | 211 |
| Total Expenses | 3,225 | 2,576 | 2,811 | 4,418 | 5,474 |
| Net Department Income | $ 9,186 | $ 8,178 | $ 8,592 | $10,880 | $13,771 |
| **Amount Per Occupied Room** | | | | | |
| Net Revenue | $ 53.89 | $ 45.04 | $ 49.67 | $ 65.34 | $ 80.30 |
| Payroll & Related Expenses | 9.52 | 8.10 | 8.24 | 12.91 | 14.54 |
| Net Departmental Income | $ 39.25 | $ 32.76 | $ 36.77 | $ 47.54 | $ 59.25 |

| Average Daily Rates | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | Over $85.00 |
| | | | | |
| $7,186 | $11,230 | $14,634 | $19,467 | $25,703 |
| 83 | 96 | 110 | 184 | 172 |
| $7,318 | $11,133 | $14,590 | $19,053 | $26,032 |
| | | | | |
| $1,454 | $ 1,815 | $ 2,559 | $ 3,343 | $ 4,441 |
| 108 | 198 | 314 | 462 | 660 |
| 147 | 200 | 327 | 489 | 693 |
| 149 | 194 | 261 | 352 | 507 |
| 180 | 211 | 248 | 294 | 353 |
| 2,054 | 2,625 | 3,832 | 5,257 | 7,134 |
| $5,503 | $ 8,278 | $10,683 | $13,952 | $19,103 |
| | | | | |
| $35.45 | $ 47.49 | $ 60.98 | $ 77.40 | $101.46 |
| 6.58 | 7.87 | 10.82 | 14.18 | 17.48 |
| $25.73 | $ 35.12 | $ 44.23 | $ 54.82 | $ 73.10 |

*"In the 1950s, convention business grew in importance. Many hotels became convention-oriented."*

## Exhibit 11

*Food and Beverage Operations*

*Ratios of Total Food and Beverage Sales—By Selected Criteria**

| | All Establishments | Food & Beverage Sales as a Ratio to Room Sales | | | |
|---|---|---|---|---|---|
| | | Less than 50% | 50-74% | 75-100% | 100% and Over |
| **Sales** | | | | | |
| Food | 73.0 | 73.4 | 72.5 | 71.9 | 73.4 |
| Beverage | 27.2 | 26.9 | 27.8 | 28.1 | 26.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Cost of Sales**** | | | | | |
| Food | 33.5 | 34.6 | 32.1 | 33.0 | 34.1 |
| Beverage | 22.0 | 22.5 | 21.6 | 21.7 | 22.8 |
| Total | 30.1% | 30.9% | 28.8% | 29.6% | 31.3% |
| Gross Profit | 70.0 | 69.2 | 71.2 | 70.4 | 69.1 |
| Public Room Sales | 3.0 | 3.7 | 2.7 | 2.3 | 1.6 |
| Other Income | 1.0 | 0.8 | 1.2 | 1.4 | 1.1 |
| Total | 73.8% | 73.2% | 74.6% | 73.0% | 72.2% |
| **Departmental Expenses** | | | | | |
| Payroll & Related Expenses | 42.4 | 46.1 | 40.7 | 38.7 | 39.9 |
| China, Glassware, Silver & Linen | 1.4 | 1.4 | 1.5 | 1.4 | 1.3 |
| Contract Cleaning | 0.3 | 0.3 | 0.2 | 0.4 | 0.6 |
| Laundry & Dry Cleaning | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Operating Supplies | 2.4 | 2.4 | 2.2 | 2.3 | 3.0 |
| Uniforms | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 |
| All Other Operating Expenses | 5.1 | 5.4 | 5.1 | 5.3 | 4.1 |
| Total | 54.7 | 59.4 | 53.4 | 50.6 | 51.0 |
| **Departmental Income** | 18.6 | 14.0 | 22.3 | 22.7 | 18.2 |

*All figures are medians and do not necessarily add to totals shown.
**Cost of sales ratios, except total cost of sales, are shown as a percentage of corresponding sales.

| Average Room Rate | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | Over $85.00 |
| | | | | |
| 73.1 | 71.6 | 72.7 | 73.7 | 73.3 |
| 27.3 | 28.5 | 27.6 | 26.5 | 26.9 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| 36.7 | 34.6 | 33.5 | 32.3 | 30.6 |
| 25.3 | 22.6 | 21.9 | 20.1 | 20.2 |
| 33.4% | 30.8% | 30.4% | 29.0% | 28.4% |
| 66.9 | 69.2 | 69.7 | 71.2 | 71.7 |
| 3.4 | 3.3 | 3.2 | 3.1 | 1.7 |
| 0.6 | 0.5 | 1.0 | 1.6 | 1.4 |
| 69.6% | 72.4% | 73.6% | 76.1% | 75.7% |
| | | | | |
| 40.0 | 39.3 | 43.7 | 44.8 | 47.4 |
| | | | | |
| 1.1 | 1.3 | 1.4 | 1.7 | 1.9 |
| 0.4 | 0.3 | 0.2 | 0.2 | 0.4 |
| 1.0 | 0.8 | 1.0 | 1.0 | 1.3 |
| 1.8 | 2.4 | 2.3 | 2.4 | 2.4 |
| 0.3 | 0.4 | 0.5 | 0.4 | 0.6 |
| 6.1 | 5.2 | 5.2 | 4.5 | 4.9 |
| 52.9 | 51.1 | 55.9 | 57.3 | 59.6 |
| 15.3 | 20.7 | 16.9 | 19.1 | 18.1 |

## Exhibit 12

*Food and Beverage Statistics—By Selected Criteria**

| | Size of Property | | | | Food & Beverage Sales Ratio to Room Sales | |
|---|---|---|---|---|---|---|
| | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms | Under 50% | 50-74% |
| **Food Sales—By Facility** | | | | | | |
| Amount Per Available Room | | | | | | |
| Dining Room | $2,847 | $2,236 | $3,217 | $ 3,574 | $1,947 | $3,035 |
| Room Service | 289 | 336 | 441 | 592 | 328 | 498 |
| Banquet | 768 | 1,556 | 2,265 | 3,223 | 858 | 2,483 |
| Bar/Lounge | 406 | 64 | 86 | 74 | 70 | 73 |
| **Total** | **$3,458** | **$3,769** | **$6,295** | **$ 7,472** | **$2,785** | **$5,720** |
| Ratio to Total Food Sales | | | | | | |
| Dining Room | 74.2% | 59.8% | 51.1% | 45.4% | 67.6% | 52.5% |
| Room Service | 5.9 | 6.1 | 6.6 | 8.4 | 8.8 | 6.9 |
| Banquet | 27.9 | 36.7 | 41.5 | 45.5 | 27.8 | 41.9 |
| Bar/Lounge | 3.6 | 1.2 | 1.6 | 1.1 | 1.8 | 1.1 |
| **Amount Per Seat** | | | | | | |
| Dining Room | $3,958 | $3,909 | $5,906 | $ 6,704 | $3,905 | $5,373 |
| Banquet | 531 | 708 | 1,028 | 622 | 753 | 659 |
| Bar/Lounge | 259 | 79 | 181 | 248 | 242 | 83 |
| **Total** | **$ 988** | **$1,631** | **$4,526** | **$10,308** | **$3,558** | **$5,149** |
| Average Check | | | | | | |
| Dining Room | $ 6.01 | $ 7.40 | $ 8.63 | $ 9.03 | $ 7.20 | $ 8.08 |
| Room Service | 6.53 | 7.19 | 8.17 | 9.10 | 7.70 | 7.54 |
| Banquet | 9.95 | 11.90 | 15.94 | 19.10 | 12.84 | 14.03 |
| **Total** | **$ 5.88** | **$ 7.90** | **$12.35** | **$ 12.83** | **$ 8.29** | **$11.18** |
| Covers Served Per Seat | | | | | | |
| Dining Room | 485 | 522 | 644 | 719 | 613 | 674 |
| Banquet | 57 | 62 | 79 | 47 | 50 | 76 |
| **Room Service Sales** | | | | | | |
| Per Occupied Room | | | | | | |
| Food | $ 1.26 | $ 1.48 | $ 1.95 | $ 2.64 | $ 1.35 | $ 2.09 |
| Beverage | .21 | .30 | .43 | 1.00 | .28 | .54 |
| **Total** | **$ 1.15** | **$ 1.67** | **$ 2.33** | **$ 3.59** | **$ 1.47** | **$ 2.51** |
| Per Guest | | | | | | |
| Food | $ .87 | $ 1.22 | $ 1.41 | $ 1.27 | $ 1.41 | $ 1.05 |
| Beverage | .53 | .24 | .27 | .49 | .34 | .26 |
| **Total** | **$ 1.03** | **$ 1.41** | **$ 1.80** | **$ 1.64** | **$ 1.52** | **$ 1.26** |

*All figures are medians and do not necessarily add to totals shown.

| Food & Beverage Sales Ratio to Room Sales | | Location of Property | | | | |
|---|---|---|---|---|---|---|
| 75-99% | 100% & Over | Center City | Airport | Suburban | Highway | Resort |
| | | | | | | |
| $4,144 | $ 5,753 | $2,837 | $2,491 | $2,890 | $1,899 | $4,298 |
| 495 | 516 | 499 | 439 | 335 | 175 | 616 |
| 3,291 | 4,026 | 2,402 | 1,631 | 2,141 | 816 | 2,271 |
| 86 | 186 | 93 | 62 | 68 | 58 | 101 |
| $7.787 | $11.128 | $5.663 | $4,149 | $4,877 | $2.738 | $7.573 |
| | | | | | | |
| 50.3% | 51.1% | 51.9% | 59.7% | 54.8% | 68.3% | 60% |
| 5.6 | 4.8 | 7.8 | 7.5 | 5.8 | 5.6 | 6.6 |
| 43.5 | 43.8 | 39.6 | 37.4 | 40.9 | 32.4 | 36.3 |
| 1.2 | 3.1 | 1.4 | 1.2 | 1.1 | 1.4 | 1.8 |
| | | | | | | |
| $5,234 | $ 5,033 | $5,559 | $5,445 | $4,765 | $3,624 | $4,336 |
| 993 | 845 | 705 | 697 | 827 | 708 | 940 |
| 194 | 189 | 394 | 89 | 122 | 76 | 95 |
| $2,162 | $ 4,503 | $3.105 | $2.641 | $1.799 | $1.541 | $2.170 |
| | | | | | | |
| $ 8.60 | $ 10.04 | $ 8.55 | $ 7.57 | $ 8.86 | $ 5.47 | $ 8.51 |
| 7.77 | 9.00 | 8.76 | 6.82 | 7.21 | 6.85 | 8.36 |
| 13.41 | 18.25 | 15.98 | 11.69 | 16.75 | 8.00 | 17.35 |
| $10.71 | $ 13.48 | $10.32 | $ 8.05 | $ 8.83 | $ 6.38 | $ 9.97 |
| | | | | | | |
| 659 | 711 | 644 | 830 | 595 | 597 | 527 |
| 109 | 154 | 70 | 74 | 75 | 50 | 79 |
| | | | | | | |
| | | | | | | |
| $ 2.17 | $ 2.83 | $ 2.34 | $ 1.82 | $ 1.59 | $ .83 | $ 2.54 |
| .65 | .75 | .71 | .30 | .35 | .09 | .50 |
| $ 3.20 | $ 3.27 | $ 2.97 | $ 2.13 | $ 1.65 | $ .82 | $ 2.72 |
| | | | | | | |
| $ 1.70 | $ 2.06 | $ 1.56 | $ 1.26 | $ 1.09 | $ .92 | $ 1.22 |
| .51 | .67 | .55 | .21 | .36 | .05 | .30 |
| $ 2.55 | $ 2.72 | $ 2.07 | $ 1.50 | $ 1.50 | $ .96 | $ 1.27 |

*(continued on next page)*

## Exhibit 12
*(continued)**

| | Size of Property | | | | Food & Beverage Sales Ratio to Room Sales | |
|---|---|---|---|---|---|---|
| | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms | Under 50% | 50-74% |
| **Beverage Sales—By Facility** | | | | | | |
| Amount Per Available Room | | | | | | |
| Dining Room | $1,137 | $ 638 | $ 750 | $ 956 | $ 495 | $ 869 |
| Room Service | 57 | 61 | 97 | 242 | 66 | 123 |
| Banquet | 193 | 310 | 550 | 829 | 177 | 542 |
| Bar/Lounge | 1,252 | 919 | 1,058 | 950 | 747 | 1,260 |
| Total | $2,153 | $1,773 | $2,346 | $2,531 | $1,091 | $2,450 |
| Ratio to Beverage Sales | | | | | | |
| Dining Room | 70.9% | 47.4% | 29.4% | 38.7% | 57.1% | 34.8% |
| Room Service | 2.6 | 2.7 | 4.3 | 9.5 | 5.0 | 4.2 |
| Banquet | 12.3 | 17.5 | 23.5 | 33.4 | 16.1 | 23.9 |
| Bar/Lounge | 84.1 | 69.2 | 52.9 | 38.2 | 68.6 | 57.7 |
| **Ratio to Food Sales** | | | | | | |
| Dining Room | 37.6% | 27.7% | 22.7% | 23.2% | 27.0% | 26.4% |
| Room Service | 14.3 | 18.5 | 23.1 | 36.1 | 19.7 | 22.5 |
| Banquet | 18.8 | 19.7 | 22.3 | 23.5 | 18.8 | 21.5 |
| Total (Including Bar/Lounge) | 41.9% | 39.3% | 37.0% | 34.3% | 36.3% | 38.3% |
| Amount Per Seat | | | | | | |
| Dining Room | $ 730 | $ 544 | $ 894 | $ 1311 | $ 492 | $ 805 |
| Banquet | 108 | 83 | 201 | 140 | 125 | 137 |
| Bar/Lounge | 1,924 | 2,151 | 2,798 | 3,471 | 2,237 | 2,617 |
| Total | $ 387 | $ 680 | $2,106 | $7,772 | $1,200 | $2,328 |

*All figures are medians and do not necessarily add to totals shown.

| Food & Beverage Sales Ratio to Room Sales | | Location of Property | | | | |
|---|---|---|---|---|---|---|
| 75-99% | 100% & Over | Center City | Airport | Suburban | Highway | Resort |
| $ 999 | $1,509 | $ 729 | $ 661 | $ 690 | $ 430 | $1,020 |
| 138 | 105 | 163 | 72 | 69 | 24 | 141 |
| 742 | 1,010 | 591 | 316 | 396 | 144 | 655 |
| 1,560 | 1,584 | 690 | 1,588 | 1,179 | 949 | 1,146 |
| $3.460 | $3.989 | $1.957 | $1.794 | $2.159 | $1.607 | $2.784 |
| 34.5% | 44.2% | 36.0% | 65.8% | 38.5% | 20.1% | 37.4% |
| 3.8 | 3.5 | 6.7 | 3.4 | 3.1 | 1.4 | 4.4 |
| 23.7 | 26.1 | 26.5 | 15.6 | 22.1 | 12.4 | 22.5 |
| 51.7 | 44.2 | 44.8 | 64.9 | 66.3 | 82.0 | 46.1 |
| 23.8% | 26.3% | 25.3% | 28.6% | 28.9% | 12.6% | 22.2% |
| 25.7 | 26.6 | 27.8 | 17.3 | 20.6 | 12.1 | 25.4 |
| 23.6 | 24.8 | 23.9 | 18.3 | 20.2 | 16.6 | 27.1 |
| 39.1% | 36.9% | 35.9% | 39.6% | 39.3% | 42.8% | 36.5% |
| $1,450 | $1,491 | $ 887 | $ 970 | $ 569 | $ 274 | $ 894 |
| 207 | 176 | 175 | 124 | 207 | 80 | 204 |
| 2,419 | 1,699 | 2,604 | 2,818 | 1,986 | 2,203 | 2,500 |
| $ 929 | $1.737 | $1.032 | $1.076 | $ 744 | $ 599 | $ 862 |

## Exhibit 13

*Median Ratio to Telephone Department Expenses*

| | All Establishments* | Equipment | |
|---|---|---|---|
| | | Owned | Leased |
| Sales | 100.0% | 100.0% | 100.0% |
| **Cost of Sales** | | | |
| Cost of Calls | 60.1 | 58.0 | 66.9 |
| Equipment Rental | 13.2 | 10.1 | 23.9 |
| Total Cost of Sales | 78.0 | 70.0 | 98.0 |
| Payroll & Related Expenses | 13.7 | 12.8 | 15.6 |
| All Other Expenses | 3.7 | 0.1 | 2.7 |
| Total Department Expenses | 99.6 | 93.3 | 108.1 |
| Net Department Income (Loss) | (0.1)% | 10.7% | (16.7)% |

*Includes properties not providing information specifying ownership of equipment.

## Exhibit 14

*Minor Operated Departments and Other Income*
*Median Amounts Per Room and Ratios to Total Sales*

| | Size of Property | | | | Location of Property | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Under 150 Rooms | 150–299 Rooms | 300–600 Rooms | Over 600 Rooms | Center City | Suburban | Airport | Highway | Resort |
| **Telephone** | | | | | | | | | |
| Sales | $401 | $458 | $618 | $741 | $595 | $512 | $506 | $357 | $456 |
| Cost of Sales | | | | | | | | | |
| Cost of Calls | 311 | 308 | 318 | 332 | 340 | 331 | 301 | 292 | 277 |
| Equipment Rental | 91 | 78 | 86 | 199 | 115 | 95 | 64 | 60 | 88 |
| Total | 399 | 379 | 427 | 529 | 441 | 442 | 354 | 354 | 382 |
| Payroll & Related Expenses | 244 | 132 | 198 | 235 | 237 | 146 | 132 | 92 | 175 |
| All Other Expenses | 16 | 18 | 22 | 12 | 16 | 23 | 23 | 10 | 13 |
| Total Dept. Expenses | 406 | 445 | 674 | 799 | 608 | 527 | 471 | 373 | 542 |
| Net Department Income (Loss) | $ (14) | $ 5 | $ (24) | $ 14 | $ 8 | $ (2) | $ 37 | $ (2) | $ (29) |
| **Minor Departments** | | | | | | | | | |
| Sales | $ 91 | $143 | $323 | $404 | $393 | $150 | $ 76 | $ 70 | $873 |
| Cost of Sales | 72 | 94 | 123 | 102 | 91 | 96 | 161 | 59 | 289 |
| Payroll & Related Expenses | 102 | 201 | 174 | 251 | 237 | 150 | 136 | 100 | 397 |
| Other Expenses | 61 | 76 | 31 | 48 | 43 | 86 | 26 | 16 | 120 |
| Total Dept. Costs & Expenses | 114 | 215 | 260 | 375 | 314 | 186 | 139 | 112 | 718 |
| Net Department Income (Loss) | $ 3 | $ 7 | $ 48 | $ 53 | $ 31 | $ (5) | 12 | $ 6 | $ 60 |
| **Rentals & Other Income** | | | | | | | | | |
| Space Rentals | $133 | $ 72 | $104 | $292 | $158 | $ 78 | $ 65 | $ 39 | $189 |
| Concessions | 28 | 34 | 51 | 67 | 35 | 36 | 31 | 30 | 111 |
| Commissions | 16 | 23 | 32 | 45 | 18 | 31 | 15 | 17 | 39 |
| Other | 57 | 61 | 134 | 153 | 102 | 108 | 63 | 44 | 259 |
| Total Departmental Income | $161 | $166 | $337 | $654 | $281 | $202 | $198 | $109 | $460 |
| **Ratio to Total Sales** | | | | | | | | | |
| **Telephone** | | | | | | | | | |
| Sales | 2.4% | 2.5% | 2.4% | 2.5% | 2.6% | 2.5% | 2.7% | 2.4% | 1.9% |
| Cost of Sales | 2.6 | 2.1 | 1.7 | 1.7 | 1.6 | 2.2 | 1.9 | 2.5 | 1.5 |
| Payroll & Related Expenses | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 |
| Net Income (Loss) | (0.1) | 0.1 | (0.1) | 0.1 | N | N | 0.3 | N | (0.1) |
| **Minor Departments** | | | | | | | | | |
| Sales | 0.5% | 0.7% | 1.3% | 1.1% | 1.4% | 0.7% | 0.4% | 0.4% | 2.8 |
| Cost of Sales | 0.3 | 0.5 | 0.5 | 0.3 | 0.4 | 0.5 | 0.7 | 0.3 | 1.3 |
| Payroll & Related Expenses | 0.6 | 1.0 | 0.6 | 0.8 | 1.0 | 0.6 | 0.5 | 0.6 | 1.4 |
| Net Income (Loss) | N | 0.1 | 0.2 | 0.2 | 0.1 | N | 0.6 | N | 0.3 |
| **Rentals & Other Income** | | | | | | | | | |
| Space Rentals | 0.5% | 0.3% | 0.4% | 0.7% | 0.6% | 0.3% | 0.4% | 0.3% | 0.6% |
| Concessions | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 |
| Commissions | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| Other | 0.4 | 0.4 | 0.5 | 0.6 | 0.5 | 0.5 | 0.4 | 0.3 | 0.8 |
| Net Income (Loss) | 0.9 | 1.0 | 1.2 | 1.8 | 1.2 | 0.9 | 0.9 | 0.7 | 1.7 |

N—Negligible.

## Exhibit 15

*Analysis of Administrative and General Expenses —Ratio to Total Sales**

| | | Size of Property | | | |
|---|---|---|---|---|---|
| | All Establishments | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| Payroll & Related Expenses | 4.5% | 4.8% | 4.3% | 4.8% | 4.3% |
| Bad Debts | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 |
| Credit Card Commissions | 1.4 | 1.4 | 1.4 | 1.5 | 1.4 |
| Data Processing Service | 0.2 | 0.3 | 0.2 | 0.1 | 0.1 |
| Insurance (General) | 0.7 | 1.3 | 1.0 | 0.6 | 0.5 |
| Licenses & Dues | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Operating Supplies | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| Professional Fees | 0.3 | 0.5 | 0.3 | 0.3 | 0.2 |
| Security | 0.4 | 0.2 | 0.5 | 0.1 | 0.1 |
| Travel & Entertainment | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 |
| All Other Expenses | 1.1 | 1.7 | 1.2 | 1.0 | 0.7 |
| Total | 9.6% | 10.3% | 9.9% | 9.2% | 8.3% |

*All figures are medians and do not necessarily add to totals shown.

## Exhibit 17

*How the Marketing Dollar Was Allocated*

| | | Location of Property | | | | |
|---|---|---|---|---|---|---|
| | Mean, All Establishments | Center City | Suburban | Airport | Highway | Resort |
| Payroll & Related Expenses | 25.7% | 30.2% | 25.4% | 26.3% | 17.9% | 22.3% |
| Sales Expenses | 9.1 | 10.6 | 6.2 | 7.1 | 8.7 | 10.9 |
| Advertising Expenses | | | | | | |
| Print | 12.9 | 13.7 | 10.7 | 9.6 | 9.7 | 18.9 |
| Radio & TV | 4.6 | 4.9 | 4.5 | 4.4 | 3.5 | 6.0 |
| Outdoor | 4.3 | 1.7 | 5.8 | 5.0 | 9.5 | 1.4 |
| Other | 10.8 | 10.3 | 12.7 | 14.9 | 10.6 | 10.8 |
| Merchandising | 2.4 | 1.5 | 2.7 | 2.0 | 3.0 | 2.3 |
| Public Relations | 2.8 | 2.9 | 3.1 | 1.7 | 2.3 | 4.1 |
| Franchise Fees | 11.2 | 5.6 | 14.1 | 11.8 | 21.8 | 8.5 |
| All Other Expenses | 16.2 | 18.6 | 14.8 | 17.2 | 13.0 | 14.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

## Exhibit 16

*Management Fees*
*Median Amount Per Room and Ratio to Total Sales*

| | All Establishments | Affiliation | | | |
|---|---|---|---|---|---|
| | | Chain Owned | Chain Managed | Chain Franchised | Independent |
| **Amount Per Room** | | | | | |
| Lower Quartile | $ 540 | $ 590 | $ 579 | $ 446 | $ 373 |
| Median | 782 | 924 | 824 | 644 | 705 |
| Upper Quartile | 1,184 | 1,317 | 1,100 | 1,018 | 1,073 |
| **Ratio to Total Sales** | | | | | |
| Lower Quartile | 2.9% | 2.8% | 2.9% | 2.9% | 2.2% |
| Median | 3.5 | 3.3 | 3.2 | 3.9 | 2.9 |
| Upper Quartile | 4.2 | 4.1 | 3.9 | 5.0 | 4.7 |

| | Affiliation | | |
|---|---|---|---|
| Chain Owned | Chain Managed | Chain Franchised | Independent |
| 26.4% | 31.6% | 20.0% | 26.6% |
| 11.2 | 13.7 | 4.8 | 8.1 |
| | | | |
| 11.3 | 16.5 | 8.9 | 24.7 |
| 4.9 | 5.9 | 3.0 | 6.1 |
| 3.2 | 1.5 | 7.5 | 5.1 |
| 15.5 | 10.3 | 5.2 | 8.0 |
| 1.8 | 2.3 | 4.0 | 1.8 |
| 1.9 | 1.9 | 2.6 | 7.0 |
| 6.2 | 3.6 | 31.7 | 2.6 |
| 17.6 | 12.7 | 12.3 | 10.0 |
| 100.0% | 100.0% | 100.0% | 100.0% |

## Exhibit 18

*Median Energy, Property Operations and Maintenance Departments—Cost Per Room*

| | Energy Department | | | | | | Property Operations & Maintenance Department | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fuel | Electricity | Water | Steam | Energy Credit | Total Energy | Payroll | Other Expenses | Total Property Operations & Maintenance |
| All Establishments | $236 | $ 747 | $106 | $ 98 | $ 22 | $1,143 | $ 790 | $ 869 | $1,656 |
| **Region** | | | | | | | | | |
| Northeast | $310 | $ 965 | $ 85 | $610 | $ 72 | $1,424 | $ 614 | $ 690 | $1,304 |
| Southeast | 184 | 748 | 130 | 88 | 45 | 1,125 | 431 | 515 | 982 |
| North Central | 296 | 682 | 113 | 106 | 180 | 1,154 | 417 | 518 | 914 |
| South Central | 151 | 724 | 95 | 94 | 33 | 1,003 | 436 | 498 | 917 |
| West | 272 | 748 | 103 | 70 | 15 | 1,124 | 612 | 615 | 1,202 |
| **Location** | | | | | | | | | |
| Center City | $221 | $ 760 | $102 | $172 | $ 17 | $1,193 | $ 641 | $ 634 | $1,307 |
| Suburban | 278 | 754 | 115 | 68 | 62 | 1,150 | 445 | 510 | 945 |
| Airport | 215 | 723 | 93 | 71 | 15 | 1,079 | 443 | 524 | 1,018 |
| Highway | 191 | 627 | 90 | 47 | 48 | 951 | 331 | 409 | 761 |
| Resort | 172 | 711 | 99 | 175 | 48 | 1,034 | 427 | 491 | 907 |
| **Size** | | | | | | | | | |
| Under 150 Rooms | $214 | $ 609 | $109 | $ 38 | $ 44 | $ 897 | $ 374 | $ 425 | $ 789 |
| 150-299 Rooms | 240 | 702 | 100 | 77 | 30 | 1,119 | 417 | 468 | 907 |
| 300-600 Rooms | 248 | 849 | 121 | 139 | 36 | 1,278 | 758 | 740 | 1,600 |
| Over 600 Rooms | 208 | 985 | 102 | 449 | 15 | 1,505 | 966 | 874 | 1,908 |
| **Rate** | | | | | | | | | |
| Under $40.00 | $190 | $ 571 | $ 99 | $ 29 | $ 44 | $ 845 | $ 296 | $ 345 | $ 654 |
| $40.00-$54.99 | 215 | 660 | 92 | 73 | 20 | 1,048 | 405 | 420 | 851 |
| $55.00-$69.99 | 229 | 855 | 124 | 139 | 31 | 1,285 | 569 | 670 | 1,222 |
| $70.00-$84.99 | 257 | 870 | 104 | 331 | 43 | 1,306 | 778 | 813 | 1,621 |
| Over $85.00 | 357 | 1,177 | 128 | 190 | 10 | 1,813 | 1,211 | 1,217 | 2,430 |

## Exhibit 19

*Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*

| | Rent | Property Taxes | Property Insurance | Interest | Depreciation | Total Fixed Charges | |
|---|---|---|---|---|---|---|---|
| | | | | | | Amount Per Room | Ratio to Total Sales |
| All Establishments | $349 | $ 592 | $168 | $1,653 | $2,022 | $4,389 | 21.0% |
| **Region** | | | | | | | |
| Northeast | $776 | $ 748 | $185 | $1,228 | $2,122 | $4,679 | 17.0% |
| Southeast | 256 | 578 | 142 | 2,541 | 2,238 | 4,925 | 27.6 |
| North Central | 561 | 503 | 193 | 1,499 | 1,748 | 3,965 | 21.3 |
| South Central | 195 | 510 | 181 | 1,543 | 1,781 | 3,125 | 19.6 |
| West | 387 | 612 | 115 | 2,539 | 2,111 | 5,073 | 18.6 |
| **Location** | | | | | | | |
| Center City | $417 | $ 691 | $179 | $2,019 | $2,144 | $5,361 | 23.8% |
| Suburban | 505 | 594 | 164 | 1,525 | 1,921 | 3,697 | 18.7 |
| Airport | 296 | 585 | 119 | 1,477 | 1,900 | 4,463 | 24.4 |
| Highway | 198 | 384 | 204 | 1,163 | 1,606 | 2,900 | 18.2 |
| Resort | 360 | 663 | 201 | 2,832 | 2,609 | 5,691 | 21.3 |
| **Size** | | | | | | | |
| Under 150 Rooms | $229 | $ 427 | $243 | $1,269 | $1,811 | $3,431 | 16.6% |
| 150-299 Rooms | 440 | 483 | 176 | 1,502 | 1,845 | 3,998 | 22.4 |
| 300-600 Rooms | 310 | 756 | 128 | 2,803 | 2,163 | 5,691 | 21.2 |
| Over 600 Rooms | 244 | 940 | 84 | 3,734 | 3,090 | 7,045 | 20.6 |
| **Rates** | | | | | | | |
| Under $40.00 | $268 | $ 271 | $178 | $1,159 | $1,152 | $2,377 | 20.5% |
| $40.00-$54.99 | 310 | 470 | 181 | 1,412 | 1,814 | 3,853 | 19.8 |
| $55.00-$69.99 | 237 | 705 | 191 | 3,097 | 2,264 | 5,350 | 22.9 |
| $70.00-$84.99 | 360 | 987 | 170 | 2,550 | 2,259 | 6,951 | 20.5 |
| Over $85.00 | 854 | 1,267 | 88 | 6,006 | 3,179 | 10,589 | 20.5 |
| **Affiliation** | | | | | | | |
| Chain Owned | $250 | $ 690 | $123 | $1,520 | $2,205 | $4,793 | 18.5% |
| Chain Leased | ** | ** | ** | ** | ** | ** | ** |
| Chain Managed | 384 | 851 | 104 | 3,840 | 1,927 | 5,016 | 21.1 |
| Chain Franchised | 391 | 432 | 177 | 1,328 | 1,823 | 3,907 | 25.4 |
| Independent | 613 | 590 | 234 | 2,754 | 2,350 | 5,341 | 23.7 |
| **Occupancy** | | | | | | | |
| Less than 50% | $332 | $ 510 | $182 | $1,690 | $1,609 | $3,508 | 28.4% |
| 50-59% | 390 | 510 | 158 | 1,406 | 2,061 | 3,659 | 21.3 |
| 60-69% | 239 | 568 | 175 | 2,258 | 1,972 | 4,960 | 21.4 |
| 70-79% | 424 | 660 | 177 | 1,460 | 2,158 | 5,673 | 20.8 |
| Over 80% | 961 | 670 | 93 | 1,138 | 1,923 | 4,436 | 13.2 |

**Insufficient response.

## U.S. Lodging Industries—1985

*Median Amounts Per Available Room*

| | All Establishments | Affiliation | | | | |
|---|---|---|---|---|---|---|
| | | Chain Owned | Chain Leased | Chain Managed | Chain Franchised | Independent |
| Average Annual Occupancy | 65.5% | 67.5% | 66.6% | 62.5% | 63.9% | 60.0% |
| Average Annual Room Rate | $ 53.80 | $ 58.54 | $ 42.85 | $ 61.36 | $ 46.72 | $ 53.50 |
| **Revenues** | | | | | | |
| Rooms | $12,671 | $14,562 | $ 9,199 | $13,509 | $10,896 | $11,162 |
| Food | 4,907 | 5,293 | 2,562 | 5,739 | 3,136 | 6,477 |
| Beverage | 2,024 | 2,348 | 793 | 2,082 | 1,490 | 2,744 |
| Other Food & Beverage | 280 | 329 | ** | 356 | 194 | 355 |
| Telephone | 495 | 541 | 509 | 587 | 390 | 408 |
| Minor-Operated | 184 | 170 | ** | 222 | 70 | 768 |
| Rentals & Other Income | 245 | 242 | 141 | 329 | 196 | 399 |
| Total | $20,117 | $22,660 | $12,704 | $22,881 | $15,860 | $19,959 |
| **Department Expenses** | | | | | | |
| Rooms | $ 3,225 | $ 3,803 | $ 3,368 | $ 4,231 | $ 2,517 | $ 2,883 |
| Food & Beverage | 5,500 | 6,275 | 2,765 | 7,189 | 3,822 | 8,370 |
| Telephone | 507 | 546 | 659 | 593 | 393 | 513 |
| Minor-Operated | 217 | 200 | ** | 193 | 87 | 644 |
| Total | $ 9,449 | $10,824 | $ 6,792 | $12,206 | $ 6,819 | $12,410 |
| **Department Profit** | | | | | | |
| Rooms | $ 9,186 | $10,391 | $ 6,174 | $ 9,944 | $ 8,471 | $ 8,089 |
| Food & Beverage | 1,275 | 1,607 | 248 | 1,265 | 974 | 1,185 |
| Telephone | (2) | (2) | (59) | (1) | 6 | (58) |
| Minor-Operated | 13 | 6 | ** | 40 | 28 | 40 |
| Rentals & Other Income | 245 | 242 | 141 | 329 | 196 | 399 |
| Total | $11,516 | $12,850 | $ 7,694 | $11,443 | $ 9,705 | $11,240 |
| **Undistributed Operating Expenses** | | | | | | |
| **Administrative & General** | | | | | | |
| Payroll & Related | $ 1,000 | $ 1,114 | $ 635 | $ 1,234 | $ 715 | $ 1,036 |
| Other | 1,075 | 1,159 | 703 | 1,158 | 947 | 1,179 |
| Total | $ 1,994 | $ 2,220 | $ 1,328 | $ 2,229 | $ 1,592 | $ 2,144 |
| **Marketing** | | | | | | |
| Payroll & Related | $ 436 | $ 487 | ** | $ 556 | $ 258 | $ 463 |
| Other | 833 | 891 | 428 | 1,150 | 759 | 683 |
| Total | $ 1,195 | $ 1,331 | $ 428 | $ 1,683 | $ 993 | $ 904 |
| **Energy Costs** | $ 1,142 | $ 1,205 | $ 862 | $ 1,397 | $ 962 | $ 1,064 |
| **Property Operations & Maintenance** | $ 1,015 | $ 1,188 | $ 820 | $ 1,486 | $ 873 | $ 1,004 |
| **Total Undistributed Operating Expenses** | $ 5,825 | $ 6,436 | $ 3,508 | $ 6,913 | $ 4,681 | $ 5,976 |
| **Income Before Management Fees** | 5,746 | 6,369 | 4,314 | 5,601 | 4,988 | 5,579 |
| **Management Fees (Base & Incentive)** | 782 | 923 | ** | 824 | 643 | 705 |
| **Income Before Fixed Charges** | $ 4,857 | $ 5,681 | ** | $ 4,270 | $ 4,118 | $ 4,379 |
| **Fixed Charges** [1] | $ 4,389 | $ 4,793 | ** | $ 5,016 | $ 3,907 | $ 5,341 |
| Income Before Income Taxes | $ (56) | $ 208 | ** | $ (436) | $ (492) | $ (769) |
| **Reserve for Capital Replacement** | $ 575 | $ 507 | ** | $ 417 | $ 602 | $ 757 |

**Insufficient response. 1—Detail on Fixed Charges is provided in Exhibit 19.

| Location of Property | | | | |
|---|---|---|---|---|
| Center City | Suburban | Airport | Highway | Resort |
| 64.6% | 65.7% | 67.8% | 65.1% | 65.6% |
| $ 62.62 | $ 52.81 | $ 51.12 | $ 41.69 | $ 58.21 |
| | | | | |
| $13,446 | $12,605 | $12,585 | $ 9,930 | $14,244 |
| 5,662 | 4,877 | 4,148 | 2,737 | 7,572 |
| 1,956 | 2,159 | 1,794 | 1,606 | 2,784 |
| 296 | 339 | 329 | 195 | 311 |
| 594 | 511 | 506 | 357 | 455 |
| 393 | 149 | 75 | 70 | 873 |
| 290 | 202 | 204 | 125 | 459 |
| $22,014 | $19,587 | $19,857 | $14,410 | $22,939 |
| | | | | |
| $ 4,083 | $ 3,091 | $ 3,061 | $ 2,336 | $ 4,341 |
| 6,646 | 4,578 | 5,019 | 3,513 | 8,692 |
| 607 | 527 | 471 | 373 | 541 |
| 314 | 186 | 139 | 111 | 717 |
| $11,650 | $ 8,382 | $ 8,690 | $ 6,333 | $14,291 |
| | | | | |
| $ 9,767 | $ 9,473 | $ 9,494 | $ 7,459 | $10,909 |
| 964 | 1,613 | 1,528 | 1,060 | 1,761 |
| 8 | (2) | 36 | (2) | (29) |
| 31 | (4) | 11 | 8 | 60 |
| 290 | 202 | 204 | 125 | 459 |
| $11,918 | $11,913 | $11,324 | $ 8,618 | $13,675 |
| | | | | |
| | | | | |
| $ 1,076 | $ 932 | $ 936 | $ 642 | $ 1,343 |
| 1,197 | 1,085 | 908 | 812 | 1,272 |
| $ 2,165 | $ 1,933 | $ 1,850 | $ 1,472 | $ 2,393 |
| | | | | |
| $ 518 | $ 431 | $ 375 | $ 247 | $ 522 |
| 862 | 794 | 818 | 663 | 1,199 |
| $ 1,362 | $ 1,071 | $ 1,156 | $ 797 | $ 1,600 |
| $ 1,193 | $ [illegible] | $ 1,079 | $ 950 | $ 1,330 |
| $ 1,307 | $ 945 | $ 1,017 | $ 761 | $ 1,547 |
| $ 6,770 | $ 5,471 | $ 5,617 | $ 4,158 | $ 7,789 |
| 5,664 | 6,506 | 6,319 | 4,848 | 6,884 |
| 716 | 813 | 816 | 590 | 800 |
| $ 4,674 | $ 5,287 | $ 5,805 | $ 3,871 | $ 6,143 |
| $ 5,361 | $ 3,696 | $ 4,462 | $ 2,900 | $ 5,691 |
| $ (708) | $ 454 | $ 56 | $ 456 | $ (692) |
| $ 595 | $ 431 | [illegible] | $ 644 | $ 1,093 |

## U.S. Lodging Industry—1985

*Ratios to Total Sales**

| | All Establishments | Affiliation | | | | |
|---|---|---|---|---|---|---|
| | | Chain Owned | Chain Leased | Chain Managed | Chain Franchised | Independent |
| Average Annual Occupancy | 65.5% | 67.5% | 66.6% | 62.5% | 63.9% | 60.0% |
| Average Annual Room Rate | $53.80 | $58.54 | $42.85 | $61.38 | $46.72 | $53.50 |
| **Revenues** | | | | | | |
| Rooms | 63.4% | 62.9% | 72.4% | 57.2% | 66.0% | 56.9% |
| Food | 22.1 | 21.3 | 21.5 | 24.7 | 20.3 | 27.0 |
| Beverage | 8.8 | 8.6 | 6.2 | 9.3 | 8.6 | 9.8 |
| Other Food & Beverage | 1.2 | 1.3 | ** | 1.3 | 1.1 | 1.5 |
| Telephone | 2.4 | 2.4 | 3.7 | 2.4 | 2.4 | 2.0 |
| Minor-Operated | 0.7 | 0.6 | ** | 0.9 | 0.5 | 2.5 |
| Rentals & Other Income | 1.1 | 1.0 | 0.9 | 1.2 | 1.1 | 1.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Department Expenses** | | | | | | |
| Rooms | 16.6% | 16.7% | 23.8% | 17.2% | 15.8% | 15.3% |
| Food & Beverage | 26.2 | 25.3 | 23.3 | 31.6 | 25.4 | 31.6 |
| Telephone | 2.5 | 2.5 | 3.4 | 2.4 | 2.4 | 2.3 |
| Minor-Operated | 1.0 | 0.8 | ** | 0.8 | 0.5 | 2.4 |
| Total | 46.3% | 45.3% | 50.5% | 52.0% | 44.1% | 51.6% |
| **Department Profit** | | | | | | |
| Rooms | 46.5% | 46.5% | 48.5% | 39.8% | 49.8% | 40.0% |
| Food & Beverage | 5.7 | 6.1 | 1.7 | 5.8 | 5.8 | 4.3 |
| Telephone | N | N | (0.4) | N | N | (0.3) |
| Minor-Operated | 0.0 | 0.0 | ** | 0.1 | 0.2 | 0.1 |
| Rentals & Other Income | 1.1 | 1.0 | 0.9 | 1.2 | 1.1 | 1.9 |
| Total | 54.0% | 54.6% | 44.8% | 47.9% | 55.8% | 47.6% |
| **Undistributed Operating Expenses** | | | | | | |
| **Administrative & General** | | | | | | |
| Payroll & Related | 4.5% | 4.5% | 4.4% | 4.9% | 4.1% | 4.8% |
| Other | 5.0 | 4.7 | 4.8 | 4.7 | 5.8 | 6.2 |
| Total | 9.6% | 9.2% | 9.4% | 9.5% | 10.0% | 11.8% |
| **Marketing** | | | | | | |
| Payroll & Related | 1.8% | 1.8% | ** | 2.0% | 1.5% | 1.8% |
| Other | 4.1 | 3.9 | 3.5 | 4.2 | 4.9 | 3.2 |
| Total | 5.7% | 5.5% | 4.8% | 6.1% | 6.5% | 4.9% |
| **Energy Costs** | 5.5% | 5.1% | 5.8% | 5.5% | 6.2% | 5.9% |
| **Property Operations & Maintenance** | 5.2% | 5.2% | 6.6% | 5.9% | 5.2% | 5.1% |
| **Total Undistributed Operating Expenses** | 26.4% | 25.7% | 25.5% | 28.9% | 27.7% | 27.1% |
| Income Before Management Fees | 26.4 | 27.8 | 19.2 | 19.6 | 28.5 | 22.3 |
| Management Fees (Base & Incentive) | 3.4 | 3.2 | ** | 3.1 | 3.8 | 2.9 |
| Income Before Fixed Charges | 22.2% | 22.6% | ** | 16.5% | 23.6% | 18.5% |
| **Fixed Charges** | 21.0% | 18.5% | ** | 21.1% | 25.4% | 23.7% |
| Income Before Income Taxes | (0.6)% | 1.7% | ** | (3.3)% | (3.2)% | (2.3)% |
| **Reserve for Capital Replacement** | 2.9% | 2.9% | ** | 2.0% | 3.0% | 2.7% |

*All figures are median and do not necessarily add to totals shown. **Insufficient response. N—Negligible. 1—Detail on Fixed Charges is provided in Exhibit 19.

| Location of Property | | | | |
|---|---|---|---|---|
| Center City | Suburban | Airport | Highway | Resort |
| 64.6% | 65.7% | 67.8% | 65.1% | 65.6% |
| $62.62 | $52.81 | $51.12 | $41.69 | $58.21 |
| | | | | |
| 64.2% | 62.9% | 63.2% | 68.2% | 60.8% |
| 22.0 | 22.7 | 20.5 | 19.6 | 25.7 |
| 8.1 | 9.6 | 8.9 | 9.2 | 9.1 |
| 1.1 | 1.6 | 1.5 | 1.3 | 0.9 |
| 2.6 | 2.5 | 2.7 | 2.4 | 1.9 |
| 1.4 | 0.6 | 0.4 | 0.4 | 2.8 |
| 1.2 | 0.9 | 0.9 | 0.7 | 1.7 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| 18.4% | 15.3% | 16.5% | 15.5% | 15.0% |
| 26.5 | 25.4 | 25.3 | 24.3 | 29.4 |
| 2.7 | 2.5 | 2.3 | 2.6 | 1.9 |
| 1.1 | 0.9 | 0.5 | 0.5 | 1.9 |
| 48.7% | 44.1% | 44.6% | 42.9% | 48.2% |
| | | | | |
| 46.1% | 47.9% | 45.6% | 51.2% | 41.6% |
| 4.2 | 6.7 | 7.1 | 6.6 | 6.5 |
| N | N | 0.2 | N | (0.1) |
| 0.1 | N | N | N | 0.2 |
| 1.2 | 0.9 | 0.9 | 0.7 | 1.7 |
| 51.8% | 55.8% | 56.2% | 57.1% | 51.8% |
| | | | | |
| | | | | |
| 4.4% | 4.2% | 5.0% | 5.3% | 4.7% |
| 5.2 | 4.9 | 4.6 | 5.8 | 4.6 |
| 9.7% | 9.7% | 9.5% | 9.9% | 9.3% |
| | | | | |
| 2.0% | 1.9% | 1.8% | 1.4% | 1.6% |
| 4.0 | 3.8 | 4.4 | 4.5 | 4.4 |
| 5.7% | 5.5% | 5.7% | 5.8% | 6.0% |
| 5.3% | 5.8% | 5.3% | 6.1% | 5.3% |
| 5.7% | 4.7% | 5.3% | 4.9% | 5.4% |
| 26.5% | 25.2% | 26.6% | 26.8% | 27.1% |
| 23.8 | 29.8 | 28.7 | 28.3 | 23.3 |
| 3.0 | 3.7 | 3.0 | 3.9 | 3.0 |
| 20.0% | 25.5% | 26.0% | 22.6% | 20.8% |
| 23.8% | 18.6% | 24.4% | 18.2% | 21.2% |
| (3.9)% | 2.5% | N | 3.7% | (1.8)% |
| 3.0% | 2.5% | -- | 3.0% | 2.4% |

## U.S. Lodging Industry—1985

*Median Amounts Per Available Room*

| | Occupancy | | | | |
|---|---|---|---|---|---|
| | Less than 50% | 50-59% | 60-69% | 70-79% | Over 80% |
| Average Annual Occupancy | 44.9% | 55.9% | 65.1% | 74.4% | 85.8% |
| Average Annual Room Rate | $50.78 | $50.30 | $54.02 | $56.31 | $60.25 |
| **Revenues** | | | | | |
| Rooms | $ 7,766 | $10,389 | $12,907 | $15,202 | $18,750 |
| Food | 2,958 | 4,870 | 4,559 | 5,589 | 6,138 |
| Beverage | 1,557 | 1,826 | 2,045 | 2,393 | 2,827 |
| Other Food & Beverage | 205 | 208 | 356 | 400 | 352 |
| Telephone | 337 | 428 | 499 | 607 | 589 |
| Minor-Operated | 188 | 210 | 126 | 179 | 363 |
| Rentals & Other Income | 168 | 203 | 222 | 270 | 385 |
| Total | $13,003 | $18,084 | $19,906 | $23,051 | $28,351 |
| **Department Expenses** | | | | | |
| Rooms | $ 2,359 | $ 2,746 | $ 3,026 | $ 3,784 | $ 5,322 |
| Food & Beverage | 4,005 | 5,161 | 5,551 | 6,627 | 8,739 |
| Telephone | 414 | 453 | 518 | 587 | 606 |
| Minor-Operated | 179 | 169 | 204 | 334 | 306 |
| Total | $ 6,957 | $ 8,529 | $ 9,299 | $11,332 | $15,473 |
| **Department Profit** | | | | | |
| Rooms | $ 5,478 | $ 7,459 | $ 9,442 | $11,631 | $14,041 |
| Food & Beverage | 545 | 971 | 1,487 | 1,965 | 1,785 |
| Telephone | (60) | (16) | 5 | 20 | 5 |
| Minor-Operated | N | 31 | 4 | 19 | 33 |
| Rentals & Other Income | 168 | 203 | 222 | 270 | 385 |
| Total | $ 6,231 | $ 9,355 | $11,675 | $14,338 | $18,022 |
| **Undistributed Operating Expenses** | | | | | |
| **Administrative & General** | | | | | |
| Payroll & Related | $ 852 | $ 926 | $ 1,013 | $ 1,080 | $ 1,167 |
| Other | 1,008 | 994 | 1,084 | 1,136 | 1,249 |
| Total | $ 1,860 | $ 1,838 | $ 1,977 | $ 2,135 | $ 2,443 |
| **Marketing** | | | | | |
| Payroll & Related | $ 356 | $ 411 | $ 483 | $ 441 | $ 395 |
| Other | 737 | 805 | 851 | 851 | 903 |
| Total | $ 940 | $ 1,009 | $ 1,256 | $ 1,252 | $ 1,247 |
| **Energy Costs** | $ 1,033 | $ 1,080 | $ 1,126 | $ 1,224 | $ 1,166 |
| **Property Operations & Maintenance** | $ 906 | $ 1,000 | $ 1,052 | $ 1,099 | $ 1,121 |
| **Total Undistributed Operating Expenses** | $ 5,017 | $ 5,455 | $ 5,862 | $ 6,099 | $ 6,767 |
| **Income Before Management Fees** | 1,035 | 3,795 | 5,839 | 8,257 | 10,863 |
| **Management Fees (Base & Incentive)** | 549 | 700 | 804 | 895 | 1,463 |
| **Income Before Fixed Charges** | $ 648 | $ 3,196 | $ 5,215 | $ 7,644 | $10,067 |
| **Fixed Charges** | $ 3,508 | $ 3,659 | $ 4,960 | $ 5,673 | $ 4,436 |
| **Income Before Income Taxes** | $ (3,185) | $ (444) | $ (183) | $ 2,318 | $ 4,341 |
| **Reserve for Capital Replacement** | $ 339 | $ 395 | $ 1,029 | $ 701 | ** |

**Insufficient response. N—Negligible. 1—Detail on Fixed Charges is provided in Exhibit 19.

| Average Room Rate | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | Over $85.00 |
| 59.5% | 66.3% | 65.0% | 67.6% | 69.8% |
| $35.61 | $47.49 | $60.97 | $77.39 | $01.19 |
| | | | | |
| $ 7,318 | $11,132 | $14,590 | $19,052 | $26,032 |
| 2,287 | 3,572 | 6,000 | 7,338 | 10,504 |
| 815 | 1,594 | 2,226 | 2,472 | 3,943 |
| 139 | 225 | 378 | 398 | 568 |
| 273 | 441 | 557 | 706 | 981 |
| 73 | 84 | 228 | 370 | 497 |
| 114 | 150 | 278 | 380 | 721 |
| $10,343 | $16,845 | $22,804 | $29,163 | $43,916 |
| | | | | |
| $ 2,054 | $ 2,625 | $ 3,831 | $ 5,256 | $ 7,133 |
| 2,484 | 4,074 | 7,208 | 8,147 | 12,873 |
| 316 | 428 | 572 | 681 | 964 |
| 89 | 149 | 219 | 349 | 466 |
| $ 4,943 | $ 7,276 | $11,830 | $14,433 | $21,236 |
| | | | | |
| $ 5,503 | $ 8,278 | $10,682 | $13,951 | $19,103 |
| 512 | 1,048 | 1,261 | 2,036 | 2,793 |
| (27) | 4 | (3) | (11) | 17 |
| 6 | 13 | 5 | 23 | 77 |
| 114 | 150 | 278 | 380 | 721 |
| $ 6,302 | $ 9,683 | $12,277 | $15,972 | $23,604 |
| | | | | |
| | | | | |
| $ 568 | $ 797 | $ 1,143 | $ 1,227 | $ 1,927 |
| 705 | 880 | 1,159 | 1,361 | 1,808 |
| $ 1,178 | $ 1,676 | $ 2,311 | $ 2,611 | $ 3,759 |
| | | | | |
| $ 212 | $ 325 | $ 503 | $ 608 | $ 698 |
| 556 | 671 | 961 | 1,056 | 1,463 |
| $ 685 | $ 923 | $ 1,515 | $ 1,689 | $ 2,204 |
| $ 844 | $ 1.048 | $ 1.285 | $ 1.306 | $ 1.813 |
| $ 653 | $ 851 | $ 1.222 | $ 1.620 | $ 2.430 |
| $ 3.802 | $ 4.623 | $ 6.782 | $ 7.665 | $10.706 |
| 2,357 | 5,138 | 5,862 | 7,972 | 13,440 |
| 420 | 672 | 815 | 927 | 1,315 |
| $ 1,885 | $ 4,351 | $ 4,641 | $ 6,593 | $12,001 |
| $ 2.376 | $ 3.853 | $ 5.350 | $ 6.951 | $10.588 |
| $ (376) | $ 424 | $ (1,462) | $ 217 | $ 2,635 |
| $ 430 | $ 583 | $ 588 | $ 274 | $ 1.093 |

## U.S. Lodging Industry—1985

*Ratios to Total Sales**

| | Occupancy | | | | |
|---|---|---|---|---|---|
| | Less than 50% | 50–59% | 60–69% | 70–79% | Over 80% |
| Average Annual Occupancy | 44.9% | 55.9% | 65.1% | 74.4% | 85.8% |
| Average Annual Room Rate | $50.78 | $50.30 | $54.02 | $56.31 | $60.25 |
| **Revenues** | | | | | |
| Rooms | 61.1% | 60.9% | 63.1% | 66.3% | 67.4% |
| Food | 23.3 | 23.8 | 22.2 | 20.9 | 19.9 |
| Beverage | 9.4 | 8.5 | 9.5 | 7.9 | 7.4 |
| Other Food & Beverage | 1.2 | 1.0 | 1.4 | 1.4 | 1.1 |
| Telephone | 2.4 | 2.4 | 2.4 | 2.5 | 1.9 |
| Minor-Operated | 1.3 | 0.8 | 0.6 | 0.7 | 0.6 |
| Rentals & Other Income | 1.3 | 0.9 | 1.1 | 1.0 | 1.2 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Department Expenses** | | | | | |
| Rooms | 18.3% | 16.6% | 15.7% | 16.4% | 18.9% |
| Food & Beverage | 30.0 | 26.9 | 27.0 | 22.3 | 22.5 |
| Telephone | 3.1 | 2.5 | 2.5 | 2.3 | 2.1 |
| Minor-Operated | 1.4 | 0.8 | 0.9 | 1.1 | 0.9 |
| Total | 52.8% | 46.8% | 46.1% | 42.1% | 44.4% |
| **Department Profit** | | | | | |
| Rooms | 41.3% | 44.6% | 47.3% | 50.8% | 48.6% |
| Food & Beverage | 3.3 | 5.3 | 6.9 | 6.3 | 4.6 |
| Telephone | (0.4) | (0.1) | N | N | N |
| Minor-Operated | N | 0.2 | N | N | 0.1 |
| Rentals & Other Income | 1.3 | 0.9 | 1.1 | 1.0 | 1.2 |
| Total | 45.3% | 51.8% | 55.0% | 56.2% | 55.2% |
| **Undistributed Operating Expenses** | | | | | |
| **Administrative & General** | | | | | |
| Payroll & Related | 6.2% | 4.7% | 4.6% | 3.9% | 3.7% |
| Other | 6.3 | 5.2 | 5.1 | 4.6 | 3.8 |
| Total | 12.8% | 10.3% | 9.6% | 8.7% | 8.0% |
| **Marketing** | | | | | |
| Payroll & Related | 2.6% | 2.1% | 1.9% | 1.5% | 1.2% |
| Other | 5.1 | 4.3 | 4.4 | 3.6 | 2.6 |
| Total | 7.7% | 6.0% | 6.1% | 5.0% | 4.1% |
| **Energy Costs** | 7.9% | 6.4% | 5.5% | 4.8% | 4.0% |
| **Property Operations & Maintenance** | 6.6% | 6.0% | 5.3% | 4.8% | 4.1% |
| **Total Undistributed Operating Expenses** | 35.7% | 29.3% | 26.4% | 23.5% | 20.6% |
| Income Before Management Fees | 9.2 | 22.9 | 27.4 | 32.4 | 32.0 |
| Management Fees (Base & Incentive) | 3.5 | 3.3 | 3.4 | 3.4 | 4.2 |
| Income Before Fixed Charges | 4.7% | 19.9% | 22.4% | 27.9% | 30.5% |
| **Fixed Charges** | 28.4% | 21.3% | 21.4% | 20.8% | 13.2% |
| Income Before Income Taxes | (22.1)% | (2.3)% | (0.7)% | 6.6% | 13.4% |
| **Reserve for Capital Replacement** | 2.1% | 2.4% | 4.3% | 2.9% | ** |

*All figures are medians and do not necessarily add to totals shown. **Insufficient response. N—Negligible. 1—Detail on Fixed Charges in provided in Exhibit 19.

| Average Room Rate | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | Over $85.00 |
| 59.5% | 66.3% | 65.0% | 67.6% | 69.8% |
| $35.61 | $47.49 | $60.97 | $77.39 | $101.19 |
| | | | | |
| 72.3% | 63.9% | 59.9% | 60.3% | 60.0% |
| 19.6 | 20.6 | 24.7 | 24.4 | 24.6 |
| 7.2 | 8.8 | 9.5 | 8.3 | 9.2 |
| 1.1 | 1.2 | 1.4 | 1.4 | 1.0 |
| 2.7 | 2.5 | 2.3 | 2.2 | 2.3 |
| 0.6 | 0.4 | 1.0 | 1.0 | 1.0 |
| 1.0 | 0.8 | 1.1 | 1.2 | 1.3 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| 18.6% | 16.0% | 16.8% | 17.0% | 15.4% |
| 23.3 | 23.2 | 28.8 | 26.4 | 27.6 |
| 3.1 | 2.6 | 2.4 | 2.2 | 2.1 |
| 0.6 | 0.8 | 1.0 | 1.2 | 0.9 |
| 45.6% | 42.6% | 49.0% | 46.8% | 46.0% |
| | | | | |
| 51.2% | 48.5% | 44.3% | 44.6% | 43.7% |
| 3.6 | 6.3 | 5.5 | 6.8 | 6.0 |
| (0.2) | N | N | N | N |
| N | N | N | N | 0.1 |
| 1.0 | 0.8 | 1.1 | 1.2 | 1.3 |
| 53.9% | 57.1% | 50.7% | 50.3% | 52.5% |
| | | | | |
| | | | | |
| 5.2% | 4.3% | 4.9% | 4.0% | 4.2% |
| 6.2 | 5.2 | 5.1 | 4.6 | 4.0 |
| 12.1% | 9.7% | 10.0% | 9.0% | 8.6% |
| | | | | |
| 1.5% | 1.6% | 2.1% | 2.1% | 1.5% |
| 4.9 | 4.1 | 4.2 | 4.0 | 3.5 |
| 6.4% | 5.3% | 6.2% | 6.0% | 5.0% |
| 7.6% | 5.9% | 5.2% | 4.5% | 4.0% |
| 5.2% | 5.2% | 5.2% | 5.4% | 5.3% |
| 32.8% | 26.2% | 27.7% | 26.0% | 24.0% |
| 21.5% | 31.1% | 22.9% | 26.8% | 28.4% |
| 3.5 | 3.7 | 3.1 | 3.2 | 3.0 |
| 19.0% | 23.7% | 18.4% | 20.4% | 26.2% |
| 20.5% | 19.8% | 22.8% | 20.5% | 20.5% |
| (2.2)% | 2.4% | (7.3)% | 0.6% | 4.8% |
| 4.2% | 2.9% | 2.5% | 1.4% | 2.4% |

## U.S. Lodging Industry—1985

*Statement of Income and Expenses*
*Median Amounts Per Available Room*

| | Region | | | | |
|---|---|---|---|---|---|
| | Northeast | Southeast | North Central | South Central | West |
| Average Annual Occupancy | 68.8% | 64.6% | 63.8% | 60.4% | 68.2% |
| Average Annual Room Rate | $ 61.38 | $ 53.19 | $ 48.51 | $ 49.68 | $ 57.00 |
| **Revenues** | | | | | |
| Rooms | $14,752 | $12,424 | $11,372 | $10,591 | $14,461 |
| Food | 5,162 | 4,210 | 4,937 | 2,989 | 6,270 |
| Beverage | 2,442 | 2,042 | 1,948 | 1,253 | 2,369 |
| Other Food & Beverage | 402 | 258 | 263 | 172 | 370 |
| Telephone | 582 | 443 | 485 | 450 | 520 |
| Minor-Operated | 143 | 180 | 199 | 86 | 258 |
| Rentals & Other Income | 274 | 245 | 210 | 148 | 309 |
| Total | $23,337 | $19,570 | $19,399 | $15,317 | $22,824 |
| **Department Expenses** | | | | | |
| Rooms | $ 3,949 | $ 3,165 | $ 3,022 | $ 2,580 | $ 4,388 |
| Food & Beverage | 6,920 | 4,668 | 5,224 | 3,543 | 7,594 |
| Telephone | 593 | 445 | 485 | 472 | 598 |
| Minor-Operated | 152 | 199 | 307 | 139 | 330 |
| Total | $11,614 | $ 8,477 | $ 9,038 | $ 6,734 | $12,910 |
| **Department Profit** | | | | | |
| Rooms | $10,351 | $ 8,905 | $ 8,350 | $ 8,203 | $10,327 |
| Food & Beverage | 1,285 | 1,251 | 1,651 | 682 | 1,738 |
| Telephone | (3) | (4) | (3) | (6) | 8 |
| Minor-Operated | 25 | 6 | 3 | 7 | 31 |
| Rentals & Other Income | 274 | 245 | 210 | 148 | 309 |
| Total | $13,246 | $10,806 | $10,926 | $ 9,322 | $13,103 |
| **Undistributed Operating Expenses** | | | | | |
| **Administrative & General** | | | | | |
| Payroll & Related | $ 1,144 | $ 880 | $ 825 | $ 833 | $ 1,161 |
| Other | 1,450 | 992 | 1,025 | 902 | 1,117 |
| Total | $ 2,433 | $ 1,888 | $ 1,918 | $ 1,718 | $ 2,234 |
| **Marketing** | | | | | |
| Payroll & Related | $ 395 | $ 453 | $ 402 | $ 369 | $ 493 |
| Other | 935 | 892 | 798 | 691 | 834 |
| Total | $ 1,317 | $ 1,250 | $ 1,138 | $ 956 | $ 1,226 |
| **Energy Costs** | $ 1,424 | $ 1,124 | $ 1,154 | $ 1,003 | $ 1,124 |
| **Property Operations & Maintenance** | $ 1,303 | $ 982 | $ 914 | $ 917 | $ 1,201 |
| **Total Undistributed Operating Expenses** | $ 6,833 | $ 5,834 | $ 5,465 | $ 4,661 | $ 6,774 |
| **Income Before Management Fees** | 6,190 | 5,352 | 5,634 | 4,851 | 6,654 |
| **Management Fees (Base & Incentive)** | 925 | 710 | 737 | 589 | 957 |
| **Income Before Fixed Charges** | $ 5,236 | $ 4,355 | $ 5,194 | $ 3,657 | $ 6,044 |
| **Fixed Charges** | $ 4,679 | $ 4,924 | $ 3,964 | $ 3,125 | $ 5,072 |
| **Income Before Income Taxes** | $ 13 | $ (1,036) | $ (28) | $ 267 | $ 516 |
| **Reserve for Capital Replacement** | $ 439 | $ 606 | $ 435 | $ 637 | $ 317 |

**Insufficient response. 1—Detail on Fixed Charges is provided in Exhibit 19.

| Restaurant Operated<br>Total Food & Beverage Sales Ratio to Room Sales | | | |
|---|---|---|---|
| Less than 50% | 50-74% | 75-99% | 100% and Over |
| 66.9% | 64.8% | 63.0% | 64.0% |
| $ 51.19 | $ 59.12 | $ 60.11 | $ 58.96 |
| | | | |
| $12,779 | $13,295 | $13,000 | $12,744 |
| 2,784 | 5,719 | 7,787 | 11,127 |
| 1,090 | 2,449 | 3,459 | 3,989 |
| 228 | 334 | 439 | 388 |
| 474 | 584 | 507 | 489 |
| 155 | 153 | 485 | 453 |
| 176 | 250 | 400 | 365 |
| $17,975 | $22,804 | $27,121 | $30,974 |
| | | | |
| $ 3,129 | $ 3,633 | $ 3,711 | $ 4,697 |
| 3,433 | 6,823 | 9,182 | 12,953 |
| 471 | 566 | 553 | 607 |
| 166 | 305 | 400 | 528 |
| $ 7,199 | $11,327 | $13,851 | $18,785 |
| | | | |
| $ 9,493 | $ 9,372 | $ 9,483 | $ 7,333 |
| 592 | 1,843 | 2,657 | 2,326 |
| 21 | (3) | (60) | (93) |
| 15 | 6 | 36 | 43 |
| 176 | 250 | 400 | 365 |
| $10,340 | $12,148 | $12,900 | $11,022 |
| | | | |
| | | | |
| $ 772 | $ 1,115 | $ 1,308 | $ 1,691 |
| 912 | 1,133 | 1,269 | 1,700 |
| $ 1,704 | $ 2,258 | $ 2,644 | $ 3,119 |
| | | | |
| $ 330 | $ 506 | $ 552 | $ 659 |
| 722 | 902 | 1,252 | 1,326 |
| $ 1,016 | $ 1,393 | $ 1,766 | $ 2,093 |
| $ 1.047 | $ 1,249 | $ 1.370 | $ 1.662 |
| $ 908 | $ 1,200 | $ 1,448 | $ 1,895 |
| $ 4.618 | $ 6,271 | $ 7,295 | $ 8,943 |
| 5,876 | 5,777 | 5,816 | 3,978 |
| 631 | 767 | 1,069 | 1,041 |
| $ 4,857 | $ 5,173 | $ 5,300 | $ 3,735 |
| $ 3.690 | $ 5.083 | $ 5.224 | $ 4.986 |
| $ 444 | $ 173 | $ (769) | $ (2.577) |
| $ 659 | $ 480 | - $ 566 | -- |

## U.S. Lodging Industry—1985

*Ratios to Total Sales**

| | Region | | | | |
|---|---|---|---|---|---|
| | Northeast | Southeast | North Central | South Central | West |
| Average Annual Occupancy | 68.8% | 64.6% | 63.8% | 60.4% | 68.2% |
| Average Annual Room Rate | $61.36 | $53.19 | $48.51 | $49.68 | $57.00 |
| **Revenues** | | | | | |
| Rooms | 63.9% | 63.1% | 61.5% | 65.9% | 62.1% |
| Food | 21.7 | 21.6 | 23.5 | 19.8 | 23.5 |
| Beverage | 9.5 | 8.6 | 9.3 | 7.9 | 8.2 |
| Other Food & Beverage | 1.5 | 1.1 | 1.5 | 1.0 | 1.3 |
| Telephone | 2.2 | 2.4 | 2.3 | 2.7 | 2.4 |
| Minor-Operated | 0.6 | 0.6 | 0.9 | 0.5 | 0.8 |
| Rentals & Other Income | 1.1 | 1.2 | 1.1 | 0.8 | 1.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Department Expenses** | | | | | |
| Rooms | 18.3% | 16.4% | 15.5% | 16.4% | 17.2% |
| Food & Beverage | 26.9 | 26.5 | 25.4 | 24.3 | 27.5 |
| Telephone | 2.3 | 2.5 | 2.5 | 2.7 | 2.4 |
| Minor-Operated | 0.5 | 0.9 | 1.5 | 0.7 | 1.1 |
| Total | 48.0% | 46.3% | 44.9% | 44.1% | 48.2% |
| **Department Profit** | | | | | |
| Rooms | 47.9% | 46.8% | 45.0% | 48.2% | 45.0% |
| Food & Beverage | 5.4 | 5.0 | 7.3 | 3.4 | 6.1 |
| Telephone | N | N | N | N | N |
| Minor-Operated | N | N | N | N | 0.1 |
| Rentals & Other Income | 1.1 | 1.2 | 1.1 | 0.8 | 1.1 |
| Total | 54.4% | 53.9% | 54.5% | 55.8% | 51.7% |
| **Undistributed Operating Expenses** | | | | | |
| **Administrative & General** | | | | | |
| Payroll & Related | 4.2% | 4.4% | 4.2% | 5.3% | 4.9% |
| Other | 5.5 | 5.1 | 4.9 | 5.3 | 4.5 |
| Total | 9.4% | 9.5% | 9.8% | 10.6% | 9.2% |
| **Marketing** | | | | | |
| Payroll & Related | 1.3% | 2.0% | 1.7% | 2.2% | 1.8% |
| Other | 3.8 | 4.7 | 4.2 | 4.5 | 3.8 |
| Total | 5.3% | 6.6% | 5.8% | 6.5% | 5.0% |
| **Energy Costs** | 5.8% | 6.0% | 5.8% | 6.4% | 4.6% |
| **Property Operations & Maintenance** | 5.1% | 5.2% | 5.1% | 5.7% | 5.1% |
| **Total Undistributed Operating Expenses** | 26.0% | 27.4% | 26.2% | 29.1% | 25.4% |
| Income Before Management Fees | 25.9 | 26.6 | 27.2 | 26.7 | 25.0 |
| Management Fees (Base & Incentive) | 3.8 | 3.4 | 3.7 | 3.2 | 3.0 |
| Income Before Fixed Charges | 20.2% | 22.0% | 24.4% | 22.4% | 21.5% |
| **Fixed Charges** | 17.0% | 27.5% | 21.2% | 19.6% | 18.6% |
| Income Before Income Taxes | 0.5% | (6.5)% | (0.3)% | 1.0% | 2.7% |
| **Reserve for Capital Replacement** | 2.5% | 3.0% | 3.0% | 2.9% | 2.6% |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response. N—Negligible. 1—Detail on Fixed Charges is provided in Exhibit 19.

| Restaurant Operated<br>Total Food & Beverage Sales Ratio to Room Sales | | | |
|---|---|---|---|
| Less than 50% | 50-74% | 75-99% | 100% and Over |
| 66.9% | 64.8% | 63.0% | 64.0% |
| $51.19 | $59.12 | $80.11 | $58.96 |
| | | | |
| 70.3% | 58.9% | 50.3% | 41.4% |
| 17.1 | 24.9 | 30.0 | 35.8 |
| 6.2 | 9.8 | 11.5 | 12.6 |
| 1.1 | 1.4 | 1.5 | 1.3 |
| 2.8 | 2.4 | 1.9 | 1.6 |
| 0.7 | 0.6 | 1.4 | 1.6 |
| 0.9 | 1.1 | 1.3 | 1.1 |
| 100.0% | 100.0% | 100.0% | 100.0% |
| | | | |
| 18.3% | 15.0% | 13.2% | 14.2% |
| 20.7 | 28.5 | 33.6 | 42.3 |
| 2.7 | 2.4 | 2.1 | 1.9 |
| 0.7 | 1.2 | 1.3 | 1.3 |
| 42.4% | 47.1% | 50.2% | 59.7% |
| | | | |
| 52.2% | 43.1% | 36.2% | 24.9% |
| 3.0 | 7.9 | 9.5 | 9.8 |
| N | N | (0.1) | (0.2) |
| N | N | 0.1 | 0.1 |
| 0.9 | 1.1 | 1.3 | 1.1 |
| 57.9% | 53.4% | 47.9% | 38.8% |
| | | | |
| | | | |
| 4.2% | 4.7% | 4.6% | 5.0% |
| 5.2 | 4.7 | 4.5 | 5.2 |
| 9.4% | 9.8% | 9.4% | 10.0% |
| | | | |
| 1.6% | 1.9% | 1.9% | 2.0% |
| 3.9 | 4.0 | 4.2 | 4.1 |
| 5.4% | 5.8% | 6.1% | 6.2% |
| 5.8% | 5.6% | 5.1% | 5.0% |
| 5.4% | 5.2% | 5.0% | 5.3% |
| 25.9% | 26.5% | 26.8% | 26.4% |
| 31.6 | 25.4 | 22.1 | 12.2 |
| 3.5 | 3.0 | 3.5 | 3.3 |
| 27.1% | 21.2% | 17.2% | 9.2% |
| 22.0% | 20.6% | 21.3% | 15.5% |
| 3.6% | 0.3% | (2.6)% | (10.2)% |
| 4.3% | 2.4% | 2.0% | ** |

## U.S. Lodging Industry—1985

*Median Amounts Per Available Room*

| | Size of Property | | | |
|---|---|---|---|---|
| | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| Average Annual Occupancy | 66.4% | 64.3% | 65.0% | 67.8% |
| Average Annual Room Rate | $ 45.03 | $ 49.67 | $ 65.33 | $ 80.30 |
| **Revenues** | | | | |
| Rooms | $10,923 | $11,505 | $15,996 | $19,049 |
| Food | 3,458 | 3,769 | 6,295 | 7,472 |
| Beverage | 2,153 | 1,773 | 2,345 | 2,531 |
| Other Food & Beverage | 218 | 258 | 383 | 383 |
| Telephone | 400 | 457 | 617 | 741 |
| Minor-Operated | 91 | 143 | 323 | 403 |
| Rentals & Other Income | 160 | 178 | 342 | 654 |
| Total | $15,236 | $18,674 | $27,123 | $31,402 |
| **Department Expenses** | | | | |
| Rooms | $ 2,575 | $ 2,811 | $ 4,418 | $ 5,474 |
| Food & Beverage | 3,823 | 4,296 | 7,584 | 8,972 |
| Telephone | 406 | 444 | 673 | 799 |
| Minor-Operated | 113 | 215 | 259 | 375 |
| Total | $ 6,917 | $ 7,766 | $12,934 | $15,320 |
| **Department Profit** | | | | |
| Rooms | $ 8,178 | $ 8,592 | $10,880 | $13,771 |
| Food & Beverage | 812 | 1,132 | 1,626 | 2,033 |
| Telephone | (13) | 4 | (23) | 14 |
| Minor-Operated | 2 | 6 | 48 | 52 |
| Rentals & Other Income | 160 | 178 | 342 | 654 |
| Total | $ 9,627 | $10,180 | $13,615 | $16,822 |
| **Undistributed Operating Expenses** | | | | |
| **Administrative & General** | | | | |
| Payroll & Related | $ 751 | $ 810 | $ 1,305 | $ 1,248 |
| Other | 954 | 973 | 1,232 | 1,216 |
| Total | $ 1,636 | $ 1,796 | $ 2,611 | $ 2,424 |
| **Marketing** | | | | |
| Payroll & Related | $ 250 | $ 362 | $ 507 | $ 586 |
| Other | 621 | 817 | 993 | 1,075 |
| Total | $ 743 | $ 1,106 | $ 1,507 | $ 1,709 |
| **Energy Costs** | $ 897 | $ 1,118 | $ 1,278 | $ 1,504 |
| **Property Operations & Maintenance** | $ 789 | $ 907 | $ 1,600 | $ 1,907 |
| **Total Undistributed Operating Expenses** | $ 4,811 | $ 5,082 | $ 7,220 | $ 7,829 |
| Income Before Management Fees | 5,400 | 4,928 | 6,740 | 8,940 |
| Management Fees (Base & Incentive) | 708 | 743 | 814 | 844 |
| Income Before Fixed Charges | $ 4,670 | $ 4,015 | $ 5,653 | $ 7,990 |
| **Fixed Charges** | $ 3,430 | $ 3,997 | $ 5,691 | $ 7,044 |
| Income Before Income Taxes | $ 434 | $ (586) | $ (96) | $ 374 |
| **Reserve for Capital Replacement** | $ 687 | $ 539 | $ 403 | ** |

**Insufficient response. 1—Detail on Fixed Charges is provided in Exhibit 19.

## U.S. Lodging Industry—1985

*Ratios to Total Sales**

| | Size of Property | | | |
|---|---|---|---|---|
| | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| Average Annual Occupancy | 66.4% | 64.3% | 65.0% | 67.8% |
| Average Annual Room Rate | $45.03 | $49.67 | $65.33 | $80.30 |
| **Revenues** | | | | |
| Rooms | 73.0% | 63.8% | 59.7% | 59.6% |
| Food | 19.8 | 21.3 | 24.1 | 22.9 |
| Beverage | 9.2 | 9.0 | 9.1 | 7.9 |
| Other Food & Beverage | 1.0 | 1.3 | 1.3 | 1.0 |
| Telephone | 2.4 | 2.5 | 2.4 | 2.4 |
| Minor-Operated | 0.4 | 0.6 | 1.2 | 1.1 |
| Rentals & Other Income | 0.8 | 0.9 | 1.2 | 1.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| **Department Expenses** | | | | |
| Rooms | 17.5% | 16.3% | 16.4% | 17.0% |
| Food & Beverage | 23.3 | 25.3 | 27.7 | 25.9 |
| Telephone | 2.7 | 2.4 | 2.4 | 2.4 |
| Minor-Operated | 0.5 | 1.1 | 1.0 | 1.0 |
| Total | 44.0% | 45.1% | 47.5% | 46.3% |
| **Department Profit** | | | | |
| Rooms | 54.5% | 47.6% | 42.7% | 43.8% |
| Food & Beverage | 3.9 | 5.8 | 6.5 | 5.4 |
| Telephone | (0.1) | N | N | N |
| Minor-Operated | N | N | 0.1 | 0.1 |
| Rentals & Other Income | 0.8 | 0.9 | 1.2 | 1.8 |
| Total | 53.7% | 55.0% | 52.1% | 52.7% |
| **Undistributed Operating Expenses** | | | | |
| **Administrative & General** | | | | |
| Payroll & Related | 4.8% | 4.3% | 4.7% | 4.2% |
| Other | 6.1 | 5.4 | 4.5 | 3.9 |
| Total | 10.3% | 9.9% | 9.1% | 8.2% |
| **Marketing** | | | | |
| Payroll & Related | 1.2% | 1.9% | 1.9% | 1.8% |
| Other | 4.4 | 4.4 | 3.7 | 3.8 |
| Total | 5.0% | 6.3% | 5.6% | 5.7% |
| **Energy Costs** | 5.9% | 6.1% | 4.9% | 4.4% |
| **Property Operations & Maintenance** | 5.0% | 5.1% | 5.7% | 5.5% |
| **Total Undistributed Operating Expenses** | 26.6% | 26.9% | 26.1% | 25.2% |
| **Income Before Management Fees** | 25.5 | 27.4 | 24.8 | 26.3 |
| **Management Fees (Base & Incentive)** | 3.5 | 3.5 | 3.2 | 3.0 |
| Income Before Fixed Charges | 20.9% | 22.5% | 20.3% | 23.6% |
| **Fixed Charges** | 16.5% | 22.3% | 21.1% | 20.6% |
| Income Before Income Taxes | 3.6% | (2.2)% | (0.6)% | 1.2% |
| **Reserve for Capital Replacement** | 4.2% | 2.8% | 2.0% | ** |

*All figures are medians and do not necessarily add to totals shown. **Insufficient response. N—Negligible. 1—Detail on Fixed Charges is provided in Exhibit 19.

# APPENDIX I: UNDERSTANDING MEDIANS

Throughout the year the Research Division at Laventhol & Horwath receives many phone calls requesting explanations on various information contained in this study. "What is a median?" and "Why don't these amounts add to the total?" are probably the most frequently asked questions. Hopefully, this article will shed some light on these confusing issues.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full time employees 8,4,2,6,9,7,5,1,3, these numbers would be arranged sequentially 1,2,3,4,5,6,7,8,9 and the middle value '5' would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In some exhibits the responses are also broken into quartiles, or four equal parts, with the median still being the middle value. The lower quartile is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the upper quartile defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median, or middle value, would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles (see chart below).

Now, an attempt will be made to answer the question "Why don't the amounts add to the totals?"

The most important thing to remember is that each line is analyzed separately! In the accompanying table when all amounts are arranged sequentially, the median total sales figure for hotel operations is equal to 100 percent. This figure is based on all the properties that comprise the population. The median ratio of food sales to food and beverage sales was 72.3 percent and the ratio of beverage sales to food and beverage sales was 28.1 percent. These two items were analyzed on samples of 425 and 365* hotels respectively. Different sample sizes indicate that it is very likely that the respective medians come from different hotels. This also holds true for lower and upper quartile figures.

One more fact to remember when comparing a hotel with those reported in this study is that it is not constructive to compare a whole column to your hotel's results (the median column, for example).

If your hotel has roughly the same total sales as the median reported it may not be correct to follow through using median amounts for costs and expenses. Since each line is analyzed separately, one property may be close to the median in sales, but may have much higher or lower costs and expenses. There are certain factors such as type of hotel, menu-theme and location that may predetermine the costs and expenses and will automatically make a figure higher or lower than the median.

The proper way to compare your hotel's results with those reported in this study is to first complete the worksheet provided in the back of this study. Then compare industry figures to your figures, line by line. Large variances may identify an area in an operation that requires closer analysis.

**Example 1**

*Restaurant Operations Ratios to Total Food and Beverage Sales*

| | All Establishments |
|---|---|
| Sales | |
| Food | 72.3% |
| Beverage | 28.1% |
| Total | 100.0% |

**The numbers used for sample sizes are representative and are not actual sample sizes.*

# APPENDIX II

## Historical Review*

*10-Year Comparison*

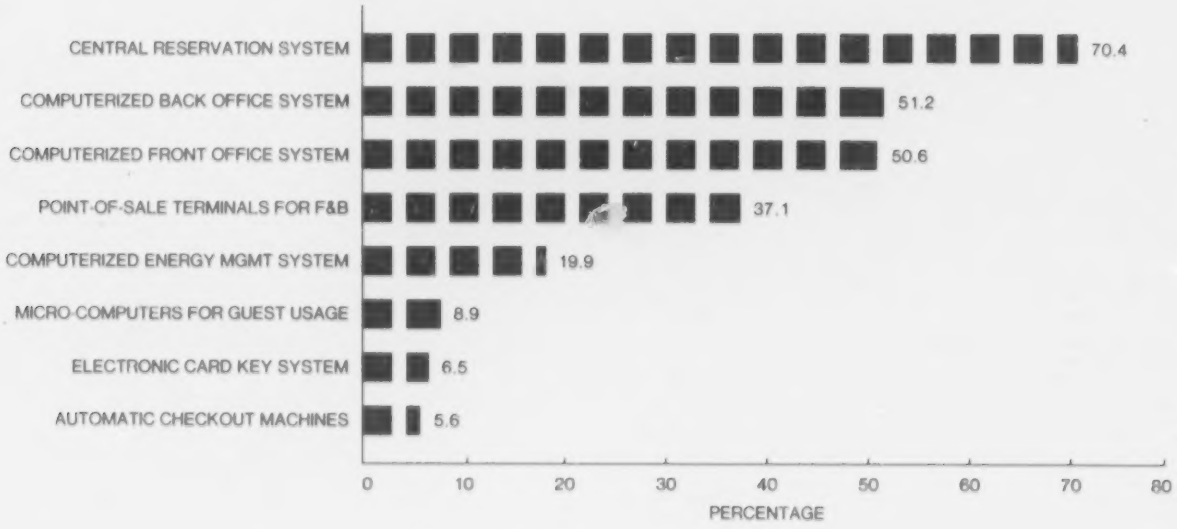
| Year | Occupancy Rate | Average Room Rate | Net Income (Loss) Per Room Before Income Tax |
|---|---|---|---|
| 1985 | 65.5% | $53.81 | $ (56) |
| 1984 | 67.9 | 52.13 | 505 |
| 1983 | 66.1 | 46.67 | 773 |
| 1982 | 66.0 | 43.55 | 1049 |
| 1981 | 70.1 | 39.14 | 1545 |
| 1980 | 70.4 | 37.67 | 1494 |
| 1979 | 71.2 | 30.96 | 956 |
| 1978 | 72.1 | 27.80 | 701 |
| 1977 | 68.6 | 24.90 | 432 |
| 1976 | 67.4 | 22.15 | 318 |

*All figures are from Laventhol & Horwath's annual *U.S. Lodging Industry* and differ from the numbers reported in the monthly *National Trend of Business in the Lodging Industry*.

*"During the French Revolution, hotels, the residences of nobility, were made available as public houses because of the absence of their owners, some of whom lost their heads."*

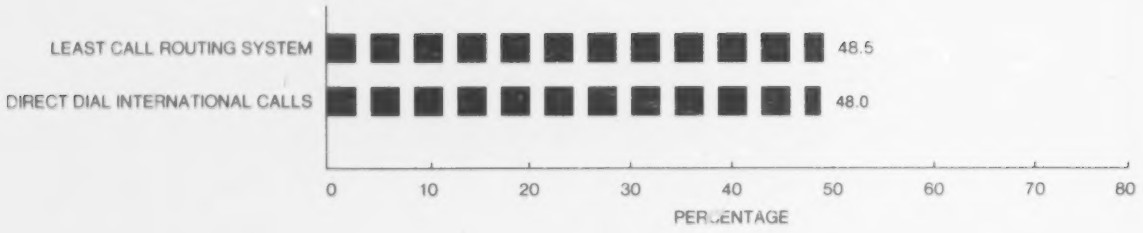
# APPENDIX III

*Technological Characteristics—*
*Property Automation*



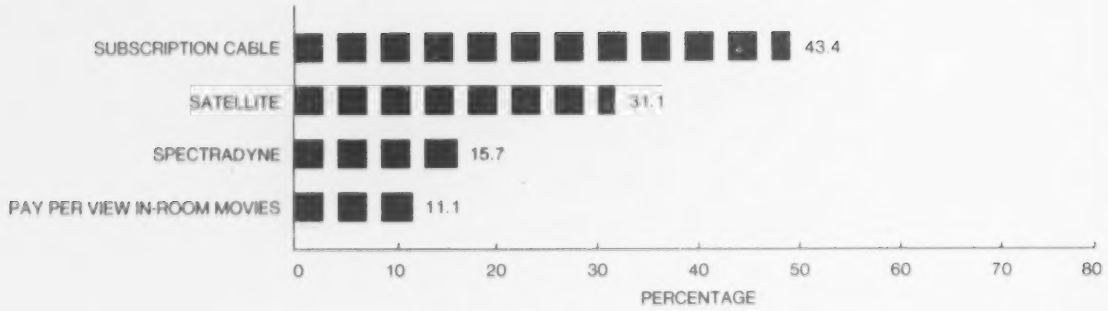
## APPENDIX IV

*Technological Characteristics—*
*Telephone Services*



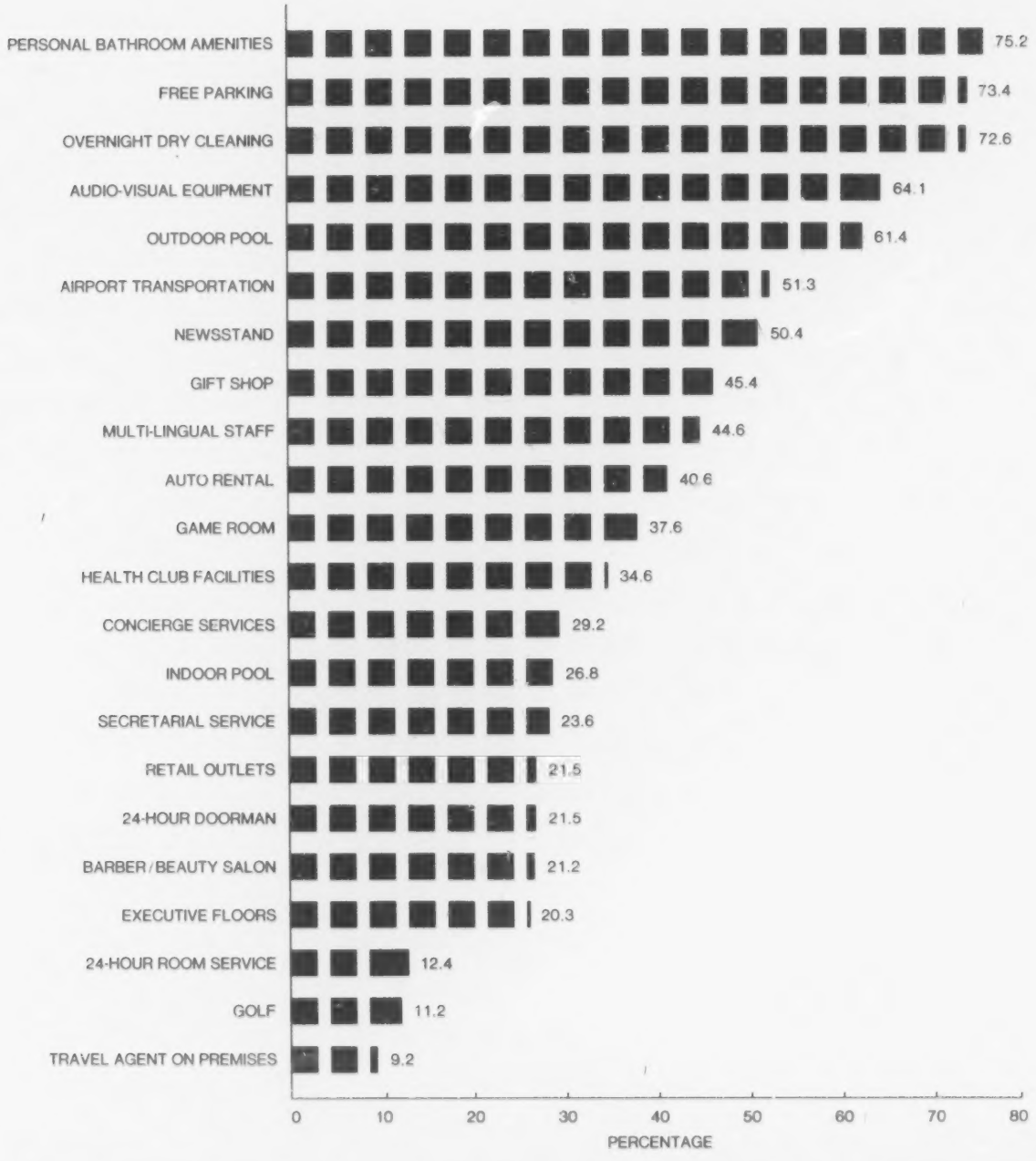

## APPENDIX V

*Technological Characteristics—*
*In-Room Entertainment Systems*



# APPENDIX VI

*Guest Services*



# PROPERTY ANALYSIS

*This worksheet will provide a quick analysis of how your property is performing in comparison to the industry.*

## Worksheet

(Use medians from exhibits)

| Amount Per Available Room | Your Property | Comparison 1 | Comparison 2 |
|---|---|---|---|
| Revenues | | | |
| Rooms | | | |
| Food | | | |
| Beverage | | | |
| Other Food & Beverage | | | |
| Telephone | | | |
| Minor-Operated | | | |
| Rentals & Other | | | |
| Total | | | |
| Department Expenses | | | |
| Rooms | | | |
| Food & Beverage | | | |
| Telephone | | | |
| Minor-Operated | | | |
| Total | | | |
| Department Profit | | | |
| Rooms | | | |
| Food & Beverage | | | |
| Telephone | | | |
| Minor-Operated | | | |
| Rentals & Other | | | |
| Total | | | |
| Undistributed Expenses | | | |
| Administrative & General | | | |
| Payroll & Related | | | |
| Other | | | |
| Total | | | |
| Marketing | | | |
| Payroll & Related | | | |
| Other | | | |
| Total | | | |
| Energy | | | |
| Property Operations & Maintenance | | | |
| Total Undistributed Expenses | | | |
| Income Before Management Fees | | | |
| Management Fees (Base & Incentive) | | | |
| Income Before Fixed Charges | | | |
| Fixed Charges | | | |
| Income Before Income Taxes | | | |
| Reserve for Capital Replacement | | | |

# EXPLANATION OF TERMS

### Room sales

Guest room revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

### Rentals and other income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

### Payroll and related expenses—rooms department

The salaries and wages of departmental personnel and management including: overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

### Payroll and related expenses—administrative and general

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

### Undistributed operating expenses—administrative and general

Expenses incurred from bad debts, credit cards commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

### Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing newspaper, magazine and billboard space and broadcasting time.

### Energy

The costs of fuel, electrical current and water.

### Payroll and related expenses—property operation and maintenance

Payroll and related expenses related with the repair and maintenance of the building, furniture and fixtures and equipment, in addition to all other expenses necessary to keep the property in operating condition.

### Property operation and maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

### Management fees

Fees charged by a management organization for management service or supervision should be charged to the account.

### Income before fixed charges

Income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income, and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

# LEISURE TIME INDUSTRY CONTACTS

Laventhol & Horwath has, since its inception, specialized in providing sophisticated advisory services to all facets of the lodging industry. The Leisure Time Advisory Services practice is the largest of its kind in the country in terms of fee volume, professional staff, geographic diversification and service capability. L&H routinely serves as advisor to the nation's most prominent hotels, developers, financiers, syndicators and industrial corporations on methods used in developing, financing, managing, operating and marketing lodging properties.

*The following list contains the services that L&H provides to the lodging industry as well as the contact person:*

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*The directory of Laventhol & Horwath's offices is on page 62.*

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Egypt
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Finland
France
Germany
Greece
Guatemala
Haiti
Hong Kong
Iceland
India
Indonesia
Ireland
Israel
Italy
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Monaco
Morocco
Netherlands
New Zealand
Nigeria
Norway
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Thailand
Turkey
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Brazil
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Grand Cayman

Channel Islands
Jersey

Chile
Santiago
Viña del Mar

Colombia
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San José

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Nicosia

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Germany
Berlin
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Hamburg
Munich
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Wiesbaden

Greece
Piraeus

Guatemala
Guatemala City

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Port-au-Prince

Hong Kong

Iceland
Reykjavik

India
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Bombay
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Indonesia
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| C. U.S. Economy/Limited-Service Lodging Industry | 50 | 120 | September |
| D. Texas Lodging Industry | 50 | 120 | September |
| E. Florida Lodging Industry | 50 | 120 | September |
| F. California Lodging Industry | 50 | 120 | September |
| G. U.S. Resort Lodging Industry | 50 | 120 | August |
| H. All-Suite Lodging Industry | 65 | 165 | September |
| I. California Restaurant Operations | 50 | 120 | August |
| J. Lifecare Retirement Center Industry | 50 | 120 | October |
| K. Gaming Industry Financial Results | 50 | 120 | August |
| L. Lodging Compensation Survey | 50 | 120 | November |

# U.S. LODGING INDUSTRY 1987

Laventhol & Horwath
Certified Public Accountants

# U. S.

# L O D G I N G

# I N D U S T R Y

# 1 9 8 7

*55th Annual Report on Hotel and Motor Hotel Operations*
*1987 Edition*

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# FOREWORD

*by Mark V. Lomanno*
*Director of Research*
*Laventhol & Horwath*
*Executive Offices*

This is Laventhol & Horwath's 55th annual in-depth analysis of the U.S. lodging industry. Since its inception, this report has been recognized as the single most authoritative source of information available today on the financial and operational performance of the U.S. lodging industry. The information in this series of reports provides insight into the operating characteristics of the industry for the preceding year and is useful for analyzing trends in revenue and expenses over successive time periods.

As the U.S. hotel industry enters the post-1986 tax reform era, the inevitable evolutionary process will take place. While the exact nature of the changes cannot be fully anticipated, certain generalizations about their impact seem obvious. New construction will be slowed as the attractiveness of investing in new projects will be hampered by several factors: the elimination of the investment tax credit; lengthening of the depreciation period to 31.5 years; restrictions on deductible passive losses; decline in the value of deductions resulting from lowered maximum individual tax rates and higher capital gains tax.

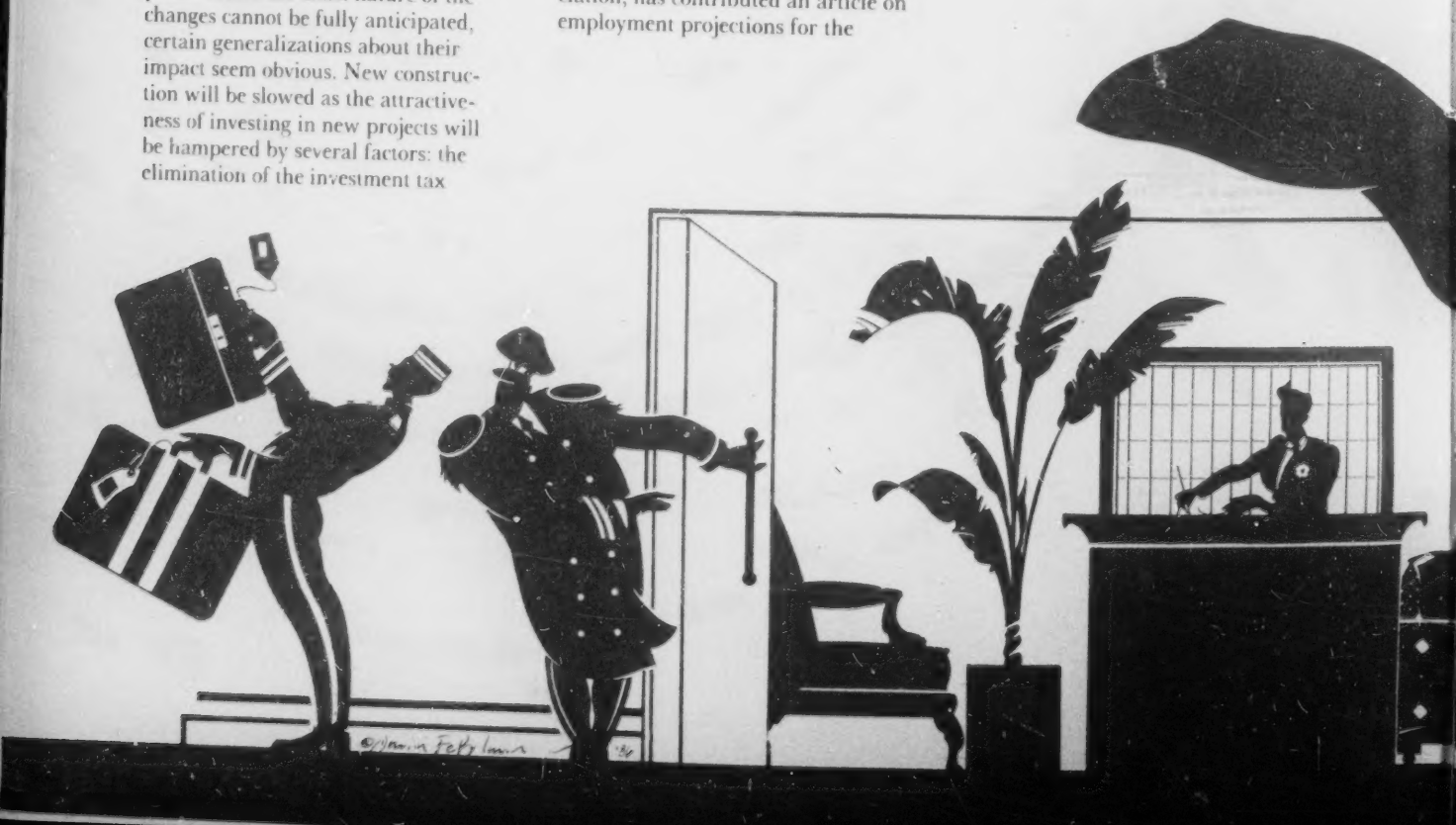
However, this dampening of the construction environment must be considered against the public companies' need to sustain recent growth strategies. To accomplish this, chains may have to adjust their growth plans to include domestic acquisition opportunities and the possibility of increased international expansion.

In a continuing effort to upgrade the quality and usefulness of this report, we once again present articles written by L&H professionals that address timely issues. Topics in this edition discuss the internationalization of the hotel industry, the explosion of amenities and guest services now offered by lodging establishments, and a review of the U.S. lodging industry in 1986.

Also, Donald E. Jankura, president of the American Hotel & Motel Association, has contributed an article on employment projections for the lodging industry to the end of this century.

These articles serve as a vital complement to the operational results traditionally presented in this report. As the quality of this report is upgraded, new dimensions are continually added. Presented this year is a condensed regional analysis for each of the country's four census regions. Each regional analysis includes a map highlighting the number of guest rooms by 1,000 population; a chart provides several reasons why tourists travel to the specific states, and other factors that affected occupancy rates for 1986. Two exhibits provide additional information for the regions.

The changes made to this report in the past two years have broadened the coverage of this dynamic industry. In



future years. Laventhol & Horwath will continue to expand this report in response to dynamic changes on the horizon.

In order to increase the sample size, more than 10,000 questionnaires were distributed nationwide by Laventhol & Horwath's practice offices, which is a substantial increase over previous years. In addition, direct contact was made with several major chains to obtain information concerning the properties they operate. Subsequently, the Research Division of L&H obtained data from more than 800 properties. After careful analysis for reasonableness and accuracy, 764 questionnaires were used in compiling data for this study.

The participating properties represent a broad cross section of the industry with total sales of approximately $5.64 billion in 1986, of which $3.09 billion was room sales. The information for these properties is broken down into separate categories and includes medians, quartiles and arithmetic means for 32 different groups. Supplementary information on source of business, composition of lodging demand and other relevant marketing statistics, along with credit and collection data, are also presented.

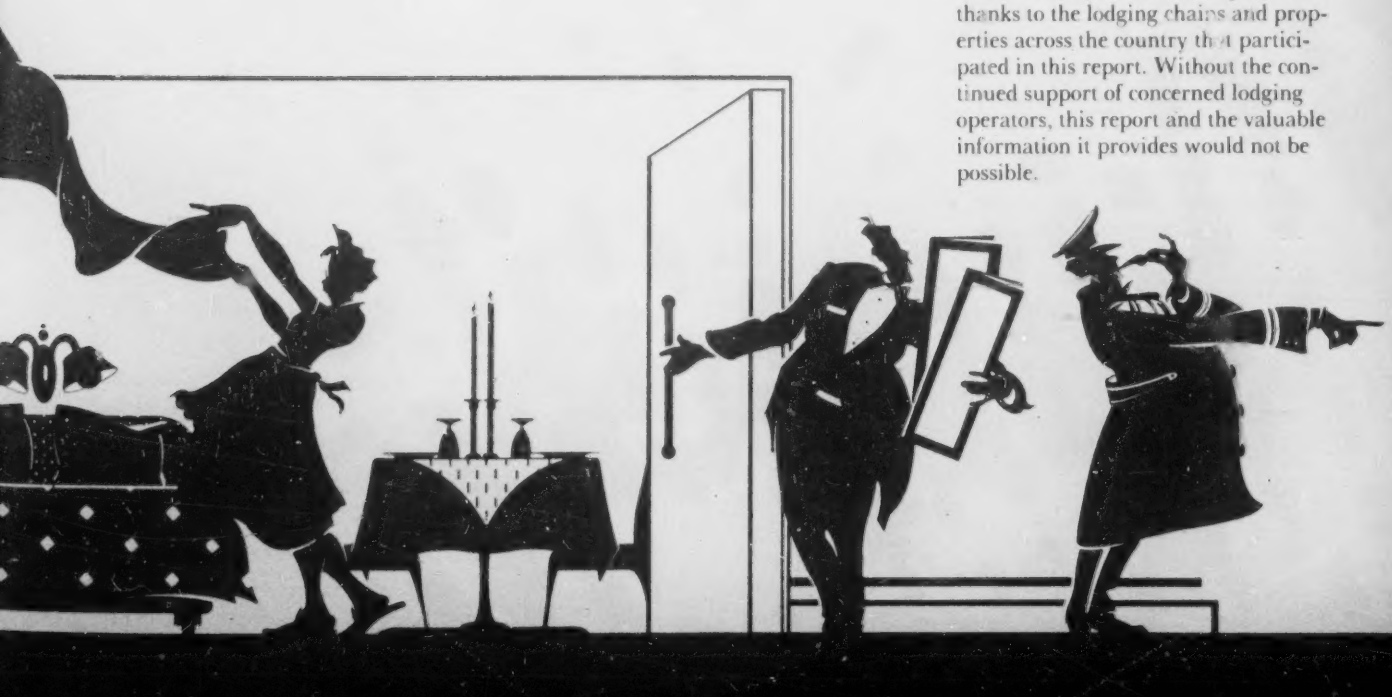
## Bases of statistics

Statistics presented in this report have been computed on the three most common bases used to analyze operating results of lodging enterprises: annual amounts per room, ratio to room sales and ratio to total sales. Readers not familiar with L&H's lodging industry publications, especially those not well acquainted with hotel financial statements, are urged to consult "Bases and Significance of Hotel Statistics," which is chapter 28 of the fourth revised edition of *Hotel Accounting* (Ronald Press Division, John Wiley & Sons, 1978). This material is essential to understanding and using the statistical information contained in this report.

The majority of the figures used in this study are medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only since all establishments did not report for each line. Readers interested in receiving a copy of the article, "Understanding Medians and Means" should contact the Research Department in L&H's Executive Offices. The arithmetic or weighted mean is also used where deemed appropriate. "The U.S. Lodging Industry Dollar" (page 39), for example, is based on weighted means to express absolute values rather than the relative position of the operating results of the establishments in the sample, which are expressed in medians and quartiles.

L&H makes no attempt to set or conform prices or operating ratios for the lodging industry. The amounts and ratios contained in this report should be used only as a guide when analyzing the operating results of a specific property.

Laventhol & Horwath expresses its thanks to the lodging chains and properties across the country that participated in this report. Without the continued support of concerned lodging operators, this report and the valuable information it provides would not be possible.



# EXPANDING HOTEL MARKETS INTERNATIONALLY

*by Saul F. Leonard*
*National Partner*
*Leisure Time Industries*
*Laventhol & Horwath*
*Los Angeles*

In the last 20 years, advances in transportation and communication technologies have significantly enhanced the ability of businesses to take their products and services beyond traditional domestic markets. One need only review the daily newspaper to understand the depth of this global interaction. Retail outlets offer a large variety of products that are either produced outside the United States or produced in the United States by a foreign company.

In recent years, this trend toward multinational operations has extended beyond product offering to include service industries as well. Hotel ownership and/or management is one industry that has recently become involved in exporting their product/service beyond national boundaries. This article examines the recent surge in international hotel development and focuses on ways in which chains are transplanting their domestic hotel concept and business style to other nations.

Many of the hotels represented in this report are parts of multinational, worldwide chains that have experienced enormous growth over the past 15 years. According to a study by *Hotels and Restaurants International*, between 1970 and 1985 the number of rooms affiliated with the top 20 multinational chains increased 149 percent (from 576,000 to 1.43 million).

In addition to U.S. chains expanding abroad, many foreign firms now operate in the United States, including Four Seasons (Canada), Meridien and Novotel (France) and Trusthouse Forte (Britain). Accor, a French service company that manages the Sofitel, Novotel, Mercure and Ibis chains, currently operates in 64 countries. Hotel marketing groups are likewise increasing their international membership. The largest of these is Best Western with approximately 245,600 rooms in 3,200 properties in 35 countries.

The motivations behind the international expansion of hotel chains can be viewed from a number of perspectives. First and foremost is the need to increase the levels of growth and profits experienced by many chains. This "required" expansion is especially true of the hotel industry in the United States, which is maturing and nearing saturation in certain submarkets, making unit growth difficult. The old axiom of "location, location and location" is becoming difficult to realize as many U.S. chains have penetrated most of their potential market areas.

Recently, Asian and Pacific countries and the Far East have become attractive locations to U.S. chains due to increasing levels of business travel and tourism. A number of developers equate Australia to a younger version of the United States with respect to travel development potential. In 1986 hotel construction in Australia was bolstered by the anticipation of increased tourism from the America's Cup sailing competition.

However, not all Asian and Pacific countries are a hotbed of activity; Singapore and Malaysia are already suffering from room glut, which has been compounded by the construction of many luxury properties over the past several years. In addition, the Philippines have had difficulty attracting prospects and investors as a result of political instability.

As stated, the Far East is an area of intense interest due to growth in business and tourist travel. Increased trade with the West has triggered a period of rapid hotel development in China, where the government hopes that high-quality hotel facilities will help to attract foreign visitors. Japan, a constant leader in hotel development, is attracting many additional investors with the opening of Tokyo Disneyland. Conversely, many Japanese chains have begun to invest heavily in U.S. hotels, particularly in Hawaii.

Several chains already have a foothold in the Asian and Pacific countries and the Far East, including Sheraton, Hyatt, Ramada, Meridien, Novotel, Sofitel, Nikko and Hilton International. Hilton Hotels Corporation exemplifies the anticipated growth potential of these areas; in 1985 it launched its subsidiary Conrad International Hotels Corporation with the opening of a 622-room hotel in Queensland, Australia, and an office has already been established in Hong Kong. Marriott also considers the Far East a near-term target.

Steady increases in international travel, tourism and trade have made the expansion of hotel chains to foreign countries sensible from a guest perspective as well. Hotels provide services, and chains are looking to follow their clients to international destinations. The expansion of U.S.

chains at resort locations also demonstrates this concept. Inherent in this strategy is the chain's desire to develop and exploit brand loyalty. The theory is that domestic customers are more likely to lodge at a hotel with a familiar name. The existence of international reservation systems further encourages brand loyalty. It has been estimated that American guests generate 20 percent of the business at European hotels.

***Cornell University offered the first degree-course in hotel administration in 1922.***

For large chains, international operations can also provide a hedge against recession by exploiting differences in business cycle timing. Economic incentives for foreign expansion are especially strong for the developers of luxury properties. The high cost and substantial risk associated with luxury development limits the number of feasible sites in any one country, therefore luxury chains tend to be international.

Recognizing the value of tourism to their economies, many developing countries have wooed hotel companies by providing attractive incentives for development. In some cases, governments are serving as intermediaries or even as investors. Hotel firms view multinational operations as an image booster, thus seeming to enhance the chain's prestige and name recognition.

## Development strategies and ownership structures

The development strategy designed by a hotel chain will reflect its objectives in pursuing international expansion. Site selection begins the expansion process. Chains primarily interested in following their business clients to international destinations or capitalizing on fast-growing metropolitan markets may focus solely on major cities. Others looking to maximize exposure may establish a presence in smaller towns as well as major business centers.

Chains desiring to accelerate growth and minimize risk eschew hotel ownership because they recognize their relative unfamiliarity with the culture and politics of the countries in which they want to develop properties. Instead,they provide technical advice, pre-opening assistance, marketing support and management services, while turning to host country investors for equity. This phenomenon is especially common among luxury chains, although sometimes they maintain a degree of equity. Also, this policy is consistent with the current tendency of chains and/or management companies in the U.S. of managing—not owning—their domestic properties.

Franchising is also a popular arrangement for expansion into foreign markets. The independent entrepreneur knows the local market better than foreign corporations and thus makes effective use of a chain affiliation by exploiting the chain's reputation, image and reservation system while maintaining a local flavor for the property. Chains offer additional value to franchisees through prototype products, including conceptual designs, architectural plans, general specifications and detailed working drawings, minimizing development expense to the franchise.

However, non-U.S. firms have been taking advantage of the strength of their currency against the U.S. dollar by purchasing hotels in the United States. This has been the strategy of chains held by the French firm, Accor. Japanese investors and hotel chains, Prince Hotels, Inc. and Nikko Hotels International have also acquired several U.S. hotels.

## Adapting a chain concept to a foreign market

Correctly assessing market demand and maintaining a flexible approach are key to translating a domestic concept to a foreign market. Without these two factors, the results of international expansion can be ineffective and damaging. Some foreign chains, for example, have developed luxury hotels in cities which could better support mid-scale or economy properties, producing a room glut in some markets.

Chains must recognize the key elements of their *identity* to separate company standards from the *creative element* in hotel operations and design. For example, Quality Inns, the second-largest international chain after Holiday Inns, allows franchisees flexibility in adapting a hotel concept as long as they adhere to strict service standards. Because of different laws and customs, franchise agreements should be written by a local counsel and be subject to local laws. At times, management offices, staffed by local managers, are opened prior to recruiting franchisees in the host countries.

High building costs, which are encouraging property conversions over new construction, are also fostering flexibility in the adaptation of chain concepts. Holiday Inns' involvement in the refurbishing of four historical structures in Europe is expected to help dispel the negative image, held by some Europeans, that the chain offers a standardized, modern product.

The market segment pursued by a hotel chain will also influence the translation of a concept abroad. Holiday Inns, which was initially a road-

side hotel, has reoriented its focus toward the growing business traveler segment that comprises 65 percent of the chain's European clientele. Consequently, Holiday Inns in Europe generally are newer, of higher quality and more expensive than their American counterparts.

Market segmentation, i.e., the development of a variety of hotel products by one chain, a strategy currently employed by U.S. chains when their primary market is saturated, is gaining popularity worldwide. One curious result may be the development of a new system for evaluating hotel properties which could combine elements of the European star system, modified for product differences as defined by segments. The star system has been criticized for being inconsistent because it attempts to rate widely diverse properties using a single set of standards. Since products within segments are more narrowly defined, they can be compared more easily.

Hotel companies realize that the translation of segment concepts requires careful consideration of local tastes. For example, all European versions of Quality Inns' economy Comfort Inn have restaurants, unlike their U.S. counterparts. Outside the U.S., hotel restaurants contribute more to total revenue as there is not as much competition from free-standing restaurants. Consequently, when expanding products beyond national borders, foodservice is one area that requires close scrutiny. Some chains have set up food research divisions to help design international menus.

Guest expectations may also vary widely across countries. While hygiene, safety and service are common expectations for guests worldwide, the particulars may vary from country to country. European guests, for example, frequently expect additional service amenities over those typically supplied by U.S. hotels, such as 24-hour room service and gourmet food and beverage. Understanding these differences helps guide hotel planners toward the most profitable allocation of resources in designing physical facilities and their operations.

International hotel operators must consider human resources. Since the hotel industry is service-oriented, the character of the product will be largely a function of the quality of employee performance. Some foreign chains have noticed a significant difference in the attitude toward hotel service jobs in Europe versus the United States. In Europe, hotel jobs are bestowed with a professional character through a formal apprenticeship system and a network of hotel schools which teach the necessary skills. In the U.S., hotel service jobs are frequently filled by unskilled labor and employees are less likely to view their jobs as permanent careers. The Intercontinental chain has dealt with this difference through an extensive in-house training program in which European instructors teach American staff. This training is expected to lessen differences among hotel staffs.

In summary, the rapid growth in travel has broadened the scope of hotel markets. In some ways, a hotel, no matter where it is located, now competes for guests with hotels all over the world. Competitive pressures and economies of scale will continue to encourage the internationalization of hotel chains over the foreseeable future. Mega-chains, resulting from international expansion and mergers and acquisitions, will spread the segmentation concepts emerging in the U.S. and Europe around the globe and produce a gradual homogenization of the worldwide lodging industry. However, the success of international hotel development will continue to depend on the flexible adaptation of domestic concepts abroad, taking into account the significant cultural, geographic and political differences among countries. For this and other financial reasons, franchising, rather that equity ownership, is likely to remain the preferred mechanism for chains operating abroad.

*This article is adapted from the Foreword to Worldwide Hotel Industry 1987, published by Horwath & Horwath International.*

Table 1
*The 10 largest international lodging chains—1986*

| Total Rank | Lodging Chain | Rooms | Properties |
|---|---|---|---|
| 1 | Holiday Corporation | 357,614 | 1,907 |
| 2 | Sheraton Corporation | 142,000 | 508 |
| 3 | Quality International | 110,483 | 967 |
| 4 | Ramada Inns, Inc. | 100,000 | 575 |
| 5 | Hilton Hotels Corporation | 97,535 | 271 |
| 6 | Days Inns of America | 79,000 | 505 |
| 7 | Marriott | 75,277 | 165 |
| 8 | Trusthouse Forte | 74,800 | 793 |
| 9 | Accor (France) | 62,410 | 534 |
| 10 | Prime Motor Inns, Inc. | 60,000 | 500 |

# EMPLOYMENT PROJECTIONS OF THE U.S. LODGING INDUSTRY

*by Donald E. Jankura, CHA*
*President*
*American Hotel & Motel Association*

All indications show that the lodging industry, as a major part of the hospitality, travel and tourism industries, has a brighter outlook for success than most any other retail business endeavor in the United States today. While the immediate forecast—specifically figures for growth in 1987—shows less increase than in recent years, the overall growth rate into the 1990s and to the end of this century reflects that we are a healthy industry.

Currently, the travel industry is the third largest retail service industry in the United States, including interrelated businesses such as airlines, restaurants and car rental operations. Travel and tourism employs one out of every 15 Americans in 1987; by 1995 it will employ one out of every five. When we look to the future and state that we are the fastest-growing service industry, we are relying on black-and-white statistics, not pie-in-the-sky optimism.

That's the good news, and it is very good news indeed. But such growth is not without its concerns and challenges. And one of the most crucial problems facing the entire lodging industry for the rest of the century is finding enough qualified individuals to fill these jobs.

Employment needs are expected to increase 25 to 39 percent by the year 2000 (or 525,000 to 800,000 workers) for lodging alone. The industry already created more jobs last year than any other in the United States: 104,000 new jobs! Meanwhile, the population aged 16 to 24—the major entry age for workers in the industry—is expected to decline 26 percent; the total number of older workers in the labor force in 1995 is expected to drop almost 10 percent from current levels.

Due to the very nature of the lodging industry, this is a serious shortage. Lodging is a people industry. It is true that automation will help some phases of some industries cope with the oncoming service employee shortage, but in hotel/motel operations, personalized service is a major element of success. Quality service is one of the most important criteria by which guests judge a property. Last year, the American Hotel & Motel Association (AH&MA), in conjunction with Proctor and Gamble, Inc., conducted a survey that confirmed location as by far the single most important factor in the initial selection of a hotel; rate, cleanliness, food and courteous service followed. The most important fact revealed in the survey, however, was that these criteria have an inverse value to the guest when choosing to return to a hotel or motel. That is, courteous service was the most important consideration, followed by cleanliness and other amenities on the list of considerations in choosing to return.

To meet the growth demand for our industry, 15 hospitality associations jointly designed "*America's Hospitality Industry—Ours Is A Special World.*" Led by the National Restaurant Association, AH&MA and International Food Manufacturers Association, among others, the program strives to instill pride in current employees, to recruit new employees and to improve the overall image of the hospitality industry to the general public.

As an adjunct to that industry-wide effort, the Educational Institute of the AH&MA is launching its "Spirit of Hospitality" this summer. One aspect of this endeavor is a series of video-vignettes which have been created as a training tool for front-line hotel/motel workers. The videos are designed as a management-employee interaction series to teach hands-on training in exceptional service. All employees who meet guests directly—including restaurant staff, front-desk and administrative employees, reservationists, etc.—are included in this ongoing "Spirit of Hospitality" campaign.

This campaign will also serve to inform those considering a career in hospitality and lodging that the possibilities encompass far more than just the entry-level positions often thought of as service jobs. The lodging industry will be in need of expert accountants, public relations professionals and food and beverage managers; there will be opportunities for trained security officers and convention salespersons. Electricians, carpenters, landscapers and all manner of supervisory personnel will have a place in the burgeoning lodging industry.

Individual lodging properties must be alert to methods that may be used to retain current employees and maintain a competitive edge over other service industries.

# AMENITIES: THEN AND NOW

*by Thomas W. Lattin*
*National Director*
*Leisure Time Industry Consulting*
*Laventhol & Horwath*
*Executive Offices*

In the early years of this century, hotels were, naturally, vastly different from those of today. The greatest change, perhaps, has been in services offered to guests. Not only have room amenities changed, but hotel amenities have also grown tremendously in the past 30 years, and many of the amenities offered today were not conceived in the middle of this century.

The following examples represent major changes in lodging which transformed the industry from a luxury only the wealthy or businesspersons could afford to a product designed to fit the pocketbook of the average traveler:

- The mobilization of Americans, due to air passenger travel and construction of the interstate highway system, increased business travel and encouraged the permanent 'pleasure travel' niche in the travel industry.
- Periods of high inflation forced travelers to be more cost conscious; this helped the 'boom' of budget properties.
- Rising household incomes, including the dual-career household, enabled a more affluent America to travel frequently and at higher standards.
- The traveling public came to rely on standards developed by chain properties.
- As competition became a permanent factor in marketing strategies, amenity packages were of utmost importance and segmentation evolved to lure guests for specific lodging packages.
- The overall need for hotel rooms increased as population shifts took place, business development grew and employee relocations increased.

These factors will be expanded upon in this article because of their effect in the change of amenities throughout the twentieth century. Because amenities are a vital element to the survival of a lodging facility, the presence or lack thereof is a major decision for operators in today's dynamic lodging industry.

The tremendous increase in the mobility of Americans is illustrated in Table 1. Development of the interstate highway system and air transportation allowed travel to places unheard of early in the twentieth century. Previously, the railroad was the single most important mode of transportation, thereby limiting locations of new hotels to sites convenient for travelers. When more accessible transportation became available, hotels were built in new locations.

The current room rate structure covers inflation, the cost of hotel construction and amenities and the perceived value; construction cost includes the lobby area, meeting space, indoor and outdoor pools and other public areas that were uncommon or nonexistent 30 to 50 years ago. These common public areas are considered the norm in many hotels today. Their costs are spread over all hotel rooms, thus increasing the room rate without adding more to the room itself.

While amenities may cost the hotelier pennies or even a few dollars per room, the guest, who desires these extras, places a high value on them, making the price/value relationship seem worth the expense. But how much is the guest willing to pay for amenities? The answer comes from the segmentation process, where the guests determine the amount they wish to spend based on the product and services offered.

As the size of hotels increased and competition spurred hoteliers to differentiate their properties from competition, service became a vital factor. The number of employees per room more than doubled from 1933 to 1982, as Table 2 shows.

Other significant changes occurred during this century which greatly affected the lodging industry:

In the early years, a 200-room property was considered large. Today, more than 40 percent of all rooms are in properties with more than 200 rooms.* The visibility of the general manager has also changed. In the early 1900s, the general manager was well known, almost synonymous with the hotel itself, and usually had many years of experience at the same location. Today, with the high level of employee turnover in the lodging industry, the general manager is virtually unknown to the public. With standardization among the chain properties, general managers rise

***The American Hotel Association was formed in 1910.***

within a hotel organization by moving from one property to another.

Many amenities received in the hotel room today were considered luxuries 30 or 40 years ago. Guests could receive a radio in their room only if they paid for it and guest transportation from ship docks and train stations arranged by hoteliers was considered a "fine amenity." In 1935, room rates at the Waldorf-Astoria were $5 for a single and $7 for a double; a single room today costs approximately $200 and $225 for a double room at that same hotel. These prices reflect the expense necessary for the hotel to stay ahead of the competition in amenities, personal service and the prestige that the Waldorf-Astoria carries.

The use of room service is declining. Today, many guests enjoy the flexibility of vending machines for beverages rather than ordering through room service. The 24-hour room service of yesteryear has been partially replaced by soda and ice machines, and mini-bars have become popular because guests may utilize the convenience in their own rooms.

Hotel guests are now opting to arrange amenities themselves, rather than relying on the hotelier, as was the practice years ago. Guests use mini-bars, room safes and receive telephone messages on *their* schedules.

Package deals were also popular years ago. Special deals included theater tickets for a Broadway show or, as an enticement to purchase a car, a hotel weekend would be included in the purchase price: "Buy a car, get a weekend at the Waldorf." Many of these specials are still offered in an attempt to convince people to patronize specific properties. The type of gimmick depends largely on the location of the hotel, competition, special local events and the overall financial health of the property.

Hoteliers constantly face the challenge of keeping pace with what travelers want and the price they are willing to pay for 'extras.' Hoteliers have an obligation to offer their guests the services and amenities included in the cost of the room. As long as guests feel they are receiving value for their money, there is a reasonable chance of a return visit.

Amenity packages have become the standard in all hotels, from the basic economy motels to luxury properties; guests decide which package they prefer for their money. For example, properties may offer a technology-oriented package, e.g., a computer hookup in the room, a business center with a telefax, copy machine or computers, but the guest should realize that he is paying for these extras. The same philosophy applies to properties with a health club on the premises. Many people prefer having the option of swimming or exercising and, although they may not take advantage of the facilities, still pay for them via the cost of the room. With a wide range of alternatives and high room rates, travelers have a large selection of options from which to choose.

These extras describe just a few of the amenity components offered at a lodging facility. Many travelers are aware of them and disregard the added costs because of the use of expense accounts. The Tax Reform Act of 1986, however, will force employers to take a closer look at their employees' expense accounts. Business travelers may now be forced to deal with the cost versus benefit decision of amenities, which translates to the price of renting a guestroom, just as the cost-conscious budget traveler has been doing for several decades.

Since business meals are no longer fully deductible in all situations, it is only a matter of time until employers scrutinize the entire expense report, including the cost of lodging. Over time, this will affect hoteliers as they examine their properties and decide whether a new amenity—or gimmick—will provide the desired results. They will be forced to answer questions such as, "Are my guests willing to pay for this?" and "Can I afford to raise prices without losing my regular guests?"

Major technological advances have greatly influenced the lodging industry and, naturally, early concerns differed from today's issues. For example, computers, when first introduced, were not well received. Today they are widely accepted as a basic component of the business world. The

computer and its technological offspring (teleconferencing, telecopying, electronic transfers) have become necessities for conducting business. Technology helped advance the lodging industry from the viewpoint of hotel operations (reservation systems to bookkeeping) and that of the guest (reserving a room, charging items to rooms and direct dial telephones).

Advertising lodging facilities was accomplished through billboards, direct mail, advertisements in local newspapers, magazines and brochures. In fact, advertising a swimming pool on the hotel grounds was a necessity since every property did not have one. Word of mouth and the hotel's reputation were as important to attracting guests as it is today, yet these marketing methods are simply not enough in intensely competitive markets. Electronic referrals and reservations from chain hotels and referral organizations are necessities, as are target marketing to special groups of travelers and television, newspaper and radio advertisements.

The following tables (page 11) illustrate the percentage of respondents to Laventhol & Horwath's 1987 U.S. Lodging Industry survey that provide amenities and technological equipment.

Hoteliers must closely watch changing life styles to stay one step ahead of guests' needs. Potential guests must be made aware of the amenities and feel that they are receiving something for their money. When travelers compare what they receive for their lodging dollar with other costs in their lives, they may realize that hotels have come a long way during the twentieth century, as did the development of the car, computers, and their ability to pay for these luxuries or necessities in life. It is the responsibility of the hotelier to add the human touch to offset the technology that runs the hotel's operations.

**Source: Laventhol & Horwath, Inventory of the Lodging Industry, representing chain operations and major independent properties.*

*Special thanks to the following individuals for their introspective view of amenities in the lodging industry: Elaine Etess, C.H.A., President, Elaine Grossinger Etess; Howard "Bud" James, C.H.A., Chairman, Global Hospitality Corp.; Anthony Rey, C.H.A., C.F.B.E., Senior Vice-President (ret.), Resorts International, Inc.; Ferdinand Wieland, C.H.A., C.F.B.E., President, Preferred Hotels.*

*Janet D. Carroll, Research Associate, Laventhol & Horwath Executive Offices, contributed to this article.*

Table 1
*Travel Growth 1940–1986*

| | Air Passenger Growth[1] | Motor Vehicles Registered[2] | Vehicle Miles Traveled (millions)[3] | Interstate Highway Miles[4] |
|---|---|---|---|---|
| 1940 | 2,959,480 | 32,035,000 | 302,188* | N/A |
| 1950 | 17,424,414 | 49,200,000 | 458,248* | N/A |
| 1960 | 52,391,708 | 73,900,000 | 718,845* | 10,000 |
| 1970 | 155,097,644 | 108,400,000 | 1,114,098* | 32,000 |
| 1980 | 292,537,000 | 159,000,000 | 1,520,856* | 40,000 |
| 1986 | 418,493,000 | 169,000,000* | 1,860,609* | 41,000 |
| **Percent Growth 1940–1986** | | | | |
| | 14,140.8% | 427.5% | 515.7% | 310.0%** |
| **Average Annual Compounded Growth Rate** | | | | |
| | 11.4% | 3.7% | 4.0% | 5.6%** |

N/A—Not applicable.
*Estimated.
**Based on 1960-1986.

Sources:
1—Air Transport Association of America.
2—Motor Vehicle Manufacturers Association of the United States.
3—Federal Highway Administration, Office of Highway Information Management.
4—U.S. Department of Transportation—Federal Highway Administration, Highway Statistics.

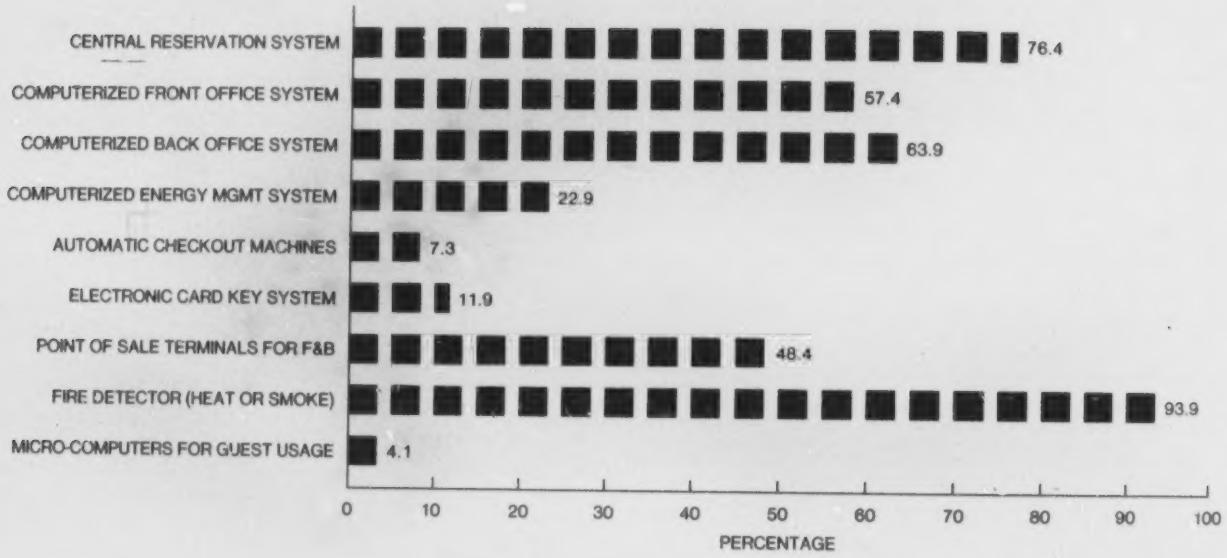
Table 2
*Selected Hotel Employment Cost., 1933–1982*

| | Total Payroll (millions)[1] | Employees Per Room[1] | Average Hourly Earnings[1] |
|---|---|---|---|
| 1933 | $ 146 | 0.21 | N/A |
| 1935 | 194 | 0.21 | N/A |
| 1939 | 247 | 0.22 | N/A |
| 1948 | 683 | 0.22 | N/A |
| 1954 | 867 | 0.25 | N/A |
| 1958 | 1,097 | 0.27 | 1.03 |
| 1963 | 1,373 | 0.28 | 1.22 |
| 1967 | 1,895 | 0.27 | 1.55 |
| 1972 | 2,878 | 0.36 | 2.28 |
| 1977 | 5,027 | 0.41 | 3.31 |
| 1982 | 9,100 | 0.44 | 5.04 |
| **Percent Growth 1933–1982** | | | |
| | 613.3% | 109.5% | 389.3%[2] |
| **Average Annual Compounded Growth Rate** | | | |
| | 8.8% | 1.5% | 6.8%[2] |

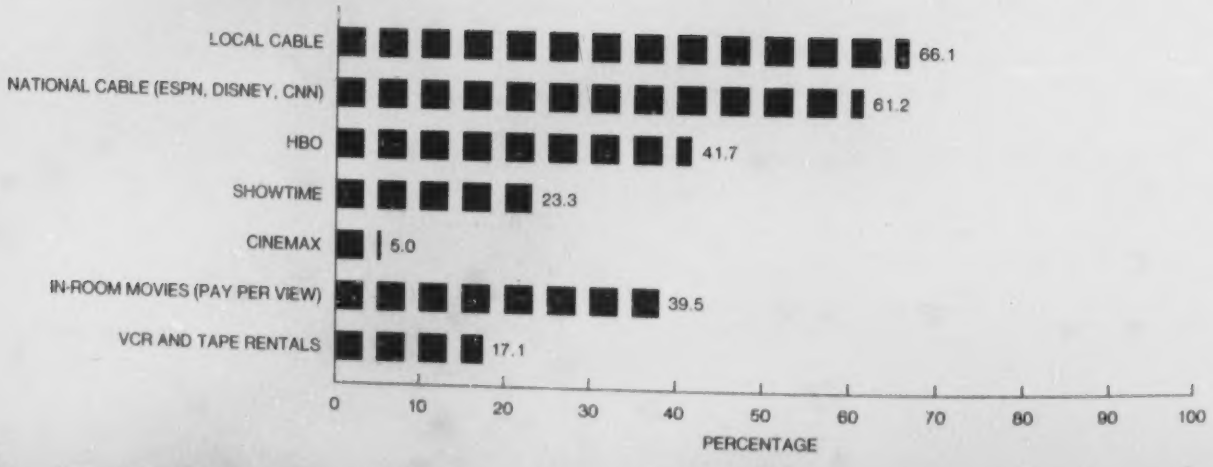
N/A—Not available.
[1]*Hospitality in Transition*, Albert J. Gomes, 1985
[2]Based on 1958-1982.

*As early as the 13th century it was the duty of the police to see that clean beds and necessary comforts were provided for travelers in Venetian hotels.*

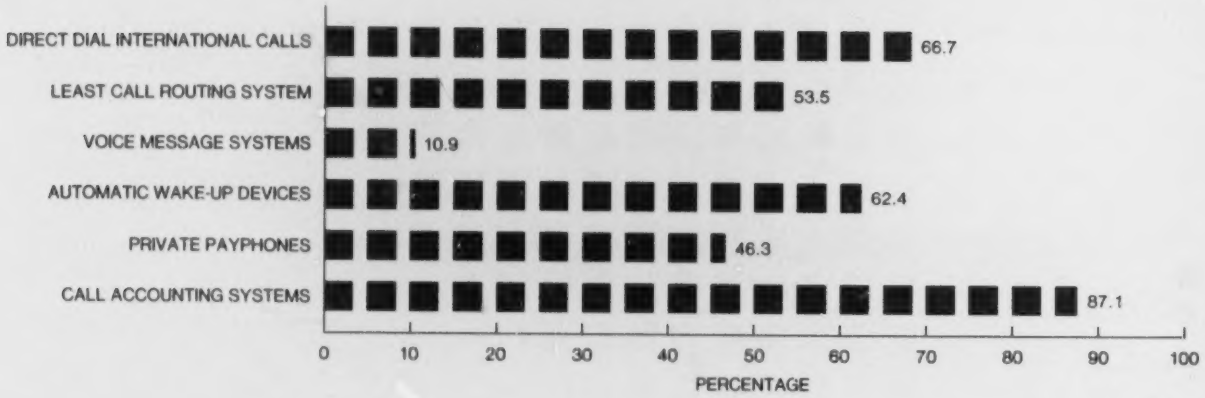
*Technological Characteristics—*
*Property Automation*

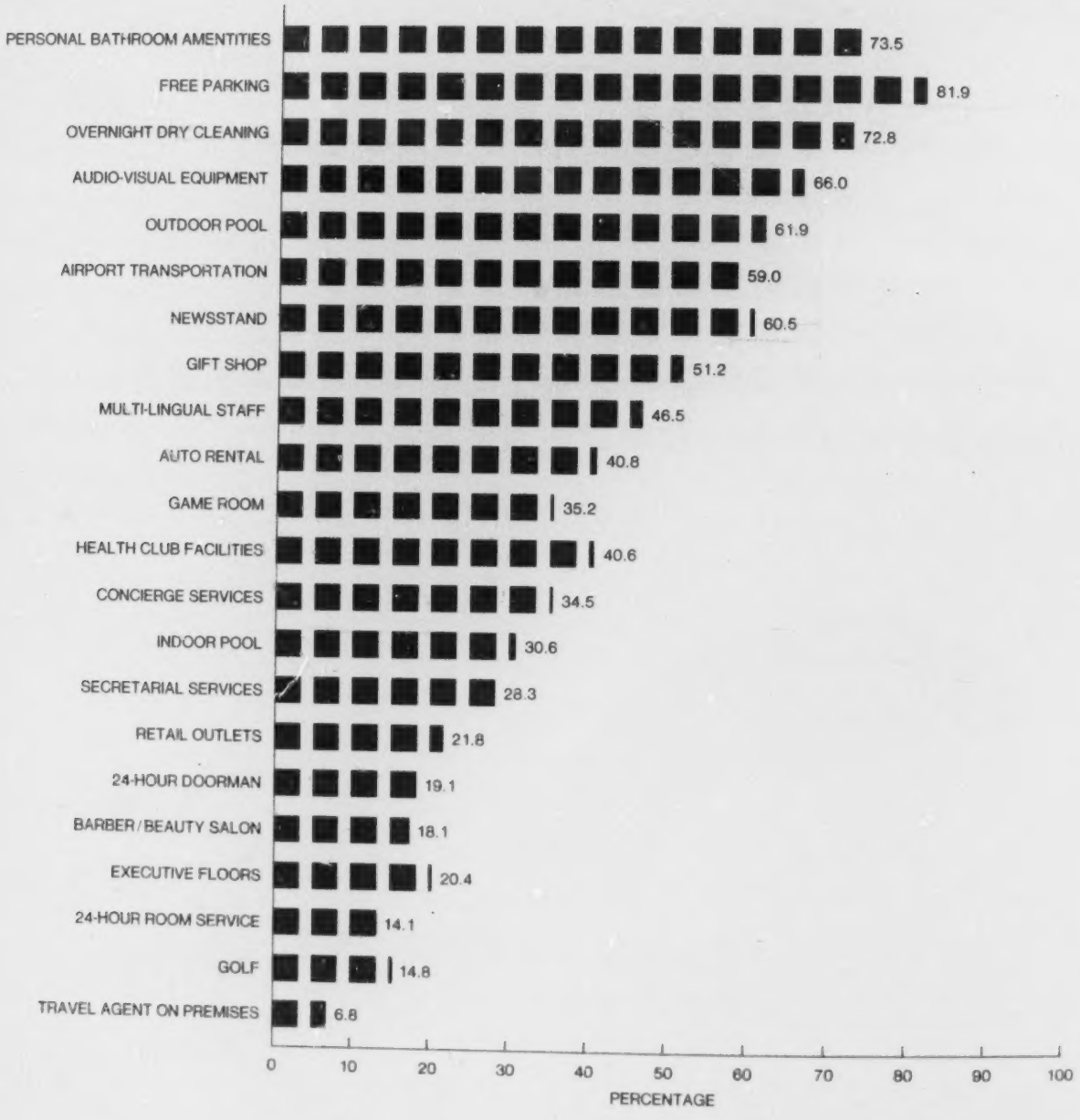



*Technological Characteristics—*
*In-Room Entertainment Systems*



*Technological Characteristics—*
*Telephone Services*




PERSONAL BATHROOM AMENTITIES
73.5
FREE PARKING
81.9
OVERNIGHT DRY CLEANING
72.8
AUDIO-VISUAL EQUIPMENT
66.0
OUTDOOR POOL
61.9
AIRPORT TRANSPORTATION
59.0
NEWSSTAND
60.5
GIFT SHOP
51.2
MULTI-LINGUAL STAFF
46.5
AUTO RENTAL
40.8
GAME ROOM
35.2
HEALTH CLUB FACILITIES
40.6
CONCIERGE SERVICES
34.5
INDOOR POOL
30.6
SECRETARIAL SERVICES
28.3
RETAIL OUTLETS
21.8
24-HOUR DOORMAN
19.1
BARBER/BEAUTY SALON
18.1
EXECUTIVE FLOORS
20.4
24-HOUR ROOM SERVICE
14.1
GOLF
14.8
TRAVEL AGENT ON PREMISES
6.8
0
10
20
30
40
50
60
70
80
90
100
PERCENTAGE

# LODGING INDUSTRY OVERVIEW

*by Elizabeth A. Rifkin*
*Research Division*
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*Executive Offices*

The lodging industry experienced a lackluster year in 1986; the occupancy rate was 64.9 percent, a decline from the 65.5 percent reported by Laventhol & Horwath in the 1986 edition of this publication. If not for a strong summer tourism season, partially influenced by the rash of overseas terrorism, occupancies probably would have been lower for the year. Room rates were up 4.3 percent for the same period, exceeding the inflation rate of 1.9 percent. However, the major reason for the increase occurred in the summer and early fall as hoteliers reacted quickly to a period of unexpected strong demand.

The industry as a whole is expanding, but supply is outpacing demand. Between 1982 and 1986, demand grew approximately 2 percent per year compared with net supply growth of about 2.6 percent annually, explaining declining occupancies throughout the period.

Profits are being squeezed. Labor costs are rising while productivity is declining. The median amount for payroll and related expenses in this report increased for each department over last year with the exception of the rooms department, which showed a slight decline of six-tenths of 1 percent. At the same time, a highly competitive environment and low inflation are preventing hotels from passing on cost increases in the form of even higher room rates.

Hotel performance was fairly uniform in all regions of the country. Except for the North Central Region that experienced a slight increase in occupancy to 63.0 percent from 62.7 percent, the other three regions reported an approximate 1 percentage point decrease: the West, 67.5 percent occupancy; South, 62.8 percent, and the Northeast, 68 percent.

The encouraging news for the hotel industry was the substantial increase in tourism that helped to fill hotel rooms. Without this, occupancy rates could have been much lower. Reasons for the increased tourism include:

- Reduced U.S. travel overseas due to fear of terrorist attacks. As a result, the leisure segment of the domestic market comprised 30 percent of the industry's guests, up 1.4 percent over 1985.
- Decline in the value of the dollar. This contributed to an approximate 3 percent increase in foreign arrivals over 1985, according to an estimate by the U.S. Travel and Tourism Administration.
- Low gasoline prices.

## Hotel construction trends: Has there been overbuilding?

Over the past few years 'overbuilding' has become one of the industry's buzzwords. Reinforcement of this theory is derived from *Dodge Construction Reports*, which cites that hotel/motel building inventory grew at three times the rate of all nonresidential building between 1970 and 1985.

According to Bureau of the Census figures, the total number of hotel rooms in all establishments with payroll rose from 2,203,190 in 1977 to 2,345,771 in 1982, a compound annual rate of increase of 1.26 percent.

It should be noted that Census growth figures are somewhat depressed by the inclusion of many very small properties, which are gradually disappearing from the lodging scene over time. However, a clear acceleration in supply growth appears to have taken place over the last five years. According to Laventhol & Horwath's Inventory of the Lodging Industry (ILI) data base, which focuses on lodging properties with 25 rooms or more, there were 2,618,000 rooms in the United States at the end of 1986, an implied growth rate of 2.7

percent over the 1982–1986 period.

The recent boom in construction is related to the fact that the hotel business has both service and real estate components. Incentives to invest in lodging as a real estate venture have grown due to a number of government programs, including:

- The Economic Recovery Act of 1981, which shortened tax lives of capital assets, allowing investors to realize tax benefits sooner. This act resulted in a large number of real estate syndications designed for high tax bracket professionals.
- Urban Development Action Grants were made available to help fund center-city, mixed-use developments, which often included hotels.
- Preservation tax credit encouraged refurbishment of older, downtown properties; some older hotels were revived, and others were hotels created from old buildings.

In addition, hyperinflation of the early 1970s spurred a boom in syndications, which now provide 30 to 50 percent of hotel equity.

Risk has been minimized for many hotel companies whose connection to properties is through management contracts rather than ownership.

Most recently, overcapacity has been dramatically severe in areas suffering from economically depressed markets like those in the oil-dependent South.

High construction rates have also been fostered by relatively inelastic demand for lodging, particularly at the upscale end of the market. As a result, steep rate increases over the years have been sustained, reducing breakeven occupancy rates from about 70 percent in 1970 to approximately 60 percent at present.

## Impact of high construction rates

Another aspect of today's lodging market is that independents are increasingly being squeezed by rapid chain expansion. The top 25 chains now control about 50 percent of the U.S. hotel rooms. Many independents may be pressured into an affiliation with a major chain or joining a hotel marketing group like Best Western or Preferred Hotels Worldwide.

***The first case of overbooking occurred in 0 A.D., as Mary and Joseph are denied room at the inn.***

The trends discussed have already had an impact on investment return to hotel properties. Latest figures from the National Council for Real Estate Investment Fiduciaries, as reported in *The National Real Estate Investor (Dec., 1985)*, show total hotel returns of 9.5 percent for the year ending March 1985. This is substantially lower than the average 12.4 percent for the previous three years and the 17 to 24 percent in the 1970s.

Pre-opening costs are also skyrocketing as a result of heightened competition in overbuilt areas. Luxury hotels, the segment most seriously impacted by overbuilding, typically required a pre-opening budget of $3,000 to $5,000 per room in 1985, a 20 percent increase over 1984.

## Lodging industry responses to the current environment

### *Segmentation*

The economy and all-suite sectors of the lodging industry are currently experiencing rapid growth. This surge in activity indicates the segmentation posture taken by primarily middle-market chains. The fast-growing economy segment experienced a twelve-fold increase since 1970; it now involves 60 chains and comprises about 270,000 rooms, approximately 10 percent of total room supply.

The all-suite segment is the second-fastest growing segment. Designed for the business traveler desiring extra functional space, most units consist of a living room, bedroom, bath and kitchenette. There are currently about 750 all-suite properties in the United States comprising 2 percent of the total room supply. In many metropolitan areas recently surveyed by L&H, all-suite properties are experiencing occupancies well above-average in spite of their rapid rate of expansion.

### *Realignment in room rates*

In some major downtown markets, new, luxury or deluxe properties are opening with relatively low rates, forcing older, upscale properties to either realign with lower-priced hotels or to upgrade facilities to compete with the new entrants.

An increased emphasis on marketing is taking place as many upscale properties emphasize their amenities packages as a competitive tool. Of the 22 guest services listed on page 14 *(Amenities: Then and Now)*, 17 services were offered in a higher percentage of properties than in 1985, as reported in our 1986 edition. Hotels are also offering a wider variety of in-room entertainment systems to help lure prospective guests. Other amenities, such as automatic wake-up service and automatic checkout, ease a guest's stay. All of these services and amenities help contribute to a hotel's appeal.

### *Minimizing risk through location and agglomeration economies*

Increasingly, hotels are being sited close to convention facilities or as part of mixed-use developments (MXDs). A MXD is a project that contains at least three primary revenue-producing uses, such as retail, offices, housing and entertainment, developed according to an overall plan. According to the Urban Land Institute, the number of MXDs in the U.S. has increased from about 100 in 1975 to 300 currently, with many more under construction or in the planning stages. Ninety-eight percent of all projects contain office and retail uses and 69 percent contain hotels.

A synergy is exerted between hotels and other uses in an MXD; the MXD provides a hotel with a "captive clientele" and the opportunity to work with other tenants in marketing services. In turn, a hotel can help attract the desired tenants for an MXD, who may be willing to pay higher rent to be located near services that would not otherwise be available or would have to be provided by the tenants themselves, such as convention and meeting facilities. A hotel with a high level of guest amenities may be used by corporations to make travel more pleasant for employees and clients.

Groups of hotels are exploiting agglomeration economies by locating near a free-standing convention facility or convention hotel. The availability of a number of facilities encourages convention business by providing overflow capacity and alternatives in accommodations.

## Outlook

### *Impact of Tax Reform Legislation*

The Tax Reform Act of 1986 will decrease the attractiveness of investing in new hotel projects. The elimination of the investment tax credit and lengthening of the depreciation period for buildings will significantly increase operating and capital expenses. As a result, breakeven occupancy rates may increase from approximately 60 percent (currently) to 70 percent.

Hotel investment in general, however, is likely to continue to be attractive to many investors. Cash-rich institutional investors, less concerned about tax incentives, will remain attracted to viable projects. Foreign investors are also expected to continue to take advantage of the weak dollar. In addition, yields on many projects are good compared with other investments.

Lower individual tax rates will decrease the value of tax deductions, reducing the optimal level of leverage for projects. Low-leveraged projects with positive cash flows may be increasingly attractive to investors as a source of passive (opposed to *earned*) income. Since the new tax law restricts the deduction of passive losses to offset passive income only, sources of passive income will be actively

sought.

Real Estate Investment Trusts (REITS), securities representing shares in real estate portfolios, are expected to gain popularity as investment vehicles. Since REITS never passed on losses nor made use of accelerated depreciation, they are not adversely affected by new tax legislation. In fact, since most income realized is dividends, which are taxed as regular income, lower tax rates increase the appeal of REITS.

***In 1954 the Federal tax law permits rapid depreciation, encouraging hotel construction.***

New tax laws may stimulate the conversion of some hotels to condo-hotels. Unlike standard hotels, condo-hotels are residential rental units and owners can qualify as *material participants* in these properties. Income of material participants in condo-hotel projects is not subject to the restrictions binding on other passive income.

Any decline in corporate travel stemming from the new tax laws may be offset by an increase in pleasure travel due to the increase in disposable personal income resulting from lower tax rates.

Within several years, overall occupancies may rise, since supply gains will slow and projects that are built are more likely to be economically viable.

In any case, no decrease in the rate of supply growth should be evident for at least 18 months, due to the large number of projects currently planned or under construction.

### *The state of the national economy*

In spite of the above average length of the current cyclical upturn, Data Resources, Inc. forecasts continued moderate economic growth in 1987 and 1988. Given the oversupply situation, however, a shake-out over the next several years in many markets is likely.

At least 19 of 25 major metropolitan markets recently surveyed have either recently opened new free-standing convention centers, have facilities undergoing expansion or under construction, or are planning new centers to open within the next four to five years.

Many hotels have entered these markets in anticipation of a boom in convention business and others are in the planning stages. The nearly simultaneous opening of so many convention centers, combined with the probability of at least an economic slowdown in the late 1980s, will intensify the competitive environment and may severely threaten the viability of a number of these new hotels.

### *Demographics*

Demographic trends bode well for the lodging industry. "Baby Boomers," those born between 1946 and 1964, should comprise 44 percent of the population by 1990, up from an estimated 40 percent today. The relatively high disposable income of this segment is expected to encourage leisure travel.

Those over 65, whose share of the population is expected to grow from 11.3 percent today to 12.5 percent by 1990, are also expected to contribute significantly to the pleasure travel market. Higher disposable incomes and better health are likely to lead to more traveling by this age group in the future.

Working women will have a positive impact on the lodging industry by their role in the corporate segment and through increased household income, which encourages pleasure travel.

## Summary

As discussed, the hotel industry is undergoing major structural changes in response to a number of economic, demographic and institutional factors. Properties and chains entering the market today will have a more difficult time creating a profitable operation due to increased competition, tax reform and a higher breakeven point in terms of occupancy percent. However, even though there are many changes on the horizon, these should result in a healthier industry in the future.

## Exhibit 1

*1987 Profile of Contributors*

| Affiliation | | Location | |
|---|---|---|---|
| Chain/Owned | 25.4% | Center City | 33.5% |
| Chain/Leased | 0.3 | Suburban | 22.9 |
| Chain/Managed | 19.8 | Airport | 8.5 |
| Chain/Franchised | 23.0 | Highway | 17.0 |
| Independent | 19.2 | Resort | 17.7 |
| Not Reported | 12.3 | Not Reported | 0.4 |
| **Occupancy** | | **Average Room Rate** | |
| Under 50% | 15.0% | Under $40.00 | 17.0% |
| 50-59.9% | 22.4 | $40.00-$54.99 | 30.4 |
| 60-69.9% | 29.9 | $55.00-$69.99 | 24.2 |
| 70-79.9% | 23.1 | $70.00-$84.99 | 14.3 |
| 80% and Over | 9.6 | $85.00 and Over | 14.1 |
| **Region** | | **Size** | |
| Northeast | 17.0% | Under 150 Rooms | 27.1% |
| South | 22.4 | 150-299 Rooms | 39.8 |
| North Central | 31.0 | 300-600 Rooms | 25.6 |
| West | 29.6 | Over 600 Rooms | 7.5 |
| **Profit/Loss** | | | |
| Profit | 28.7% | | |
| Loss | 41.6 | | |
| Not Reported | 29.7 | | |

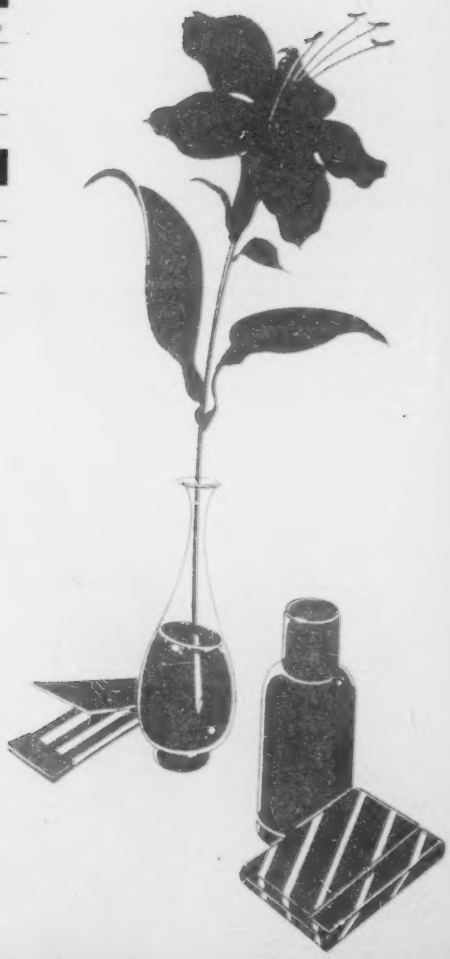


Exhibit 2

*Market Data**

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150–299 Rooms | 300–600 Rooms | Over 600 Rooms |
| **Source of Business** | | | | | |
| Foreign | 10.5% | 10.5% | 9.6% | 9.2% | 20.7% |
| Domestic | 89.5 | 89.5 | 90.4 | 90.8 | 79.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Percentage of Repeat Business | 29.9% | 38.6% | 32.7% | 25.3% | 12.4% |
| **Composition of Market** | | | | | |
| Leisure | 30.0% | 40.0% | 24.9% | 24.1% | 21.3% |
| Business/Government | 42.1 | 44.7 | 45.5 | 33.9 | 22.6 |
| Conference Participants | 18.9 | 7.8 | 20.3 | 31.1 | 36.9 |
| Other | 9.0 | 7.5 | 9.3 | 10.9 | 19.2 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Percentage of Guests with Advanced Reservations | 72.5% | 58.6% | 77.9% | 85.7% | 87.4% |
| **Advanced Reservation Mix** | | | | | |
| Direct Inquiry | 41.4% | 50.5% | 36.4% | 32.0% | 35.5% |
| Own Reservation System | 23.2 | 24.4 | 25.9 | 21.2 | 26.6 |
| Independent Reservation System | 4.3 | 2.8 | 4.3 | 5.7 | 3.7 |
| Travel Agents | 13.9 | 10.5 | 14.2 | 16.8 | 20.9 |
| Tour Operators | 4.8 | 4.0 | 5.3 | 5.4 | 6.1 |
| Hotel Representatives | 11.3 | 6.4 | 13.0 | 18.1 | 6.5 |
| Transportation Company | 1.1 | 1.4 | 0.9 | 0.8 | 0.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

*All amounts are means.

## Exhibit 3

*General Statistics**

| | Ratio of Income Before Fixed Charges to | | | |
|---|---|---|---|---|
| | Room Sales | | Total Sales | |
| | 1986 | 1985 | 1986 | 1985 |
| All Establishments | 37.2% | 37.4% | 22.7% | 22.2% |
| **Size** | | | | |
| Under 150 Rooms | 42.0% | 38.2% | 31.0% | 21.0% |
| 150–299 Rooms | 35.4 | 36.5 | 23.1 | 22.6 |
| 300–600 Rooms | 33.5 | 36.5 | 18.1 | 20.4 |
| Over 600 Rooms | 41.5 | 41.4 | 24.8 | 23.7 |
| **Average Room Rate** | | | | |
| Under $40.00 | 39.0% | 26.1% | 27.4% | 19.0% |
| $40.00–$54.99 | 36.0 | 40.2 | 23.9 | 23.8 |
| $55.00–$69.99 | 35.0 | 30.5 | 21.1 | 18.5 |
| $70.00–$84.99 | 37.7 | 38.4 | 23.8 | 20.4 |
| $85.00 and Over | 38.5 | 43.0 | 21.8 | 26.3 |
| **Occupancy** | | | | |
| Under 50% | 15.1% | 9.7% | 9.9% | 4.7% |
| 50–59.9% | 34.3 | 31.7 | 19.5 | 20.0 |
| 60–69.9% | 37.9 | 38.5 | 24.6 | 22.5 |
| 70–79.9% | 42.7 | 44.4 | 27.4 | 28.0 |
| 80% and Over | 50.2 | 46.2 | 34.4 | 30.6 |
| **Region** | | | | |
| Northeast | 41.2% | 37.2% | 24.8% | 20.6% |
| South | 40.3 | 40.0 | 25.3 | 25.8 |
| North Central | 32.9 | 36.7 | 19.1 | 22.5 |
| West | 35.4 | 40.6 | 22.6 | 25.7 |

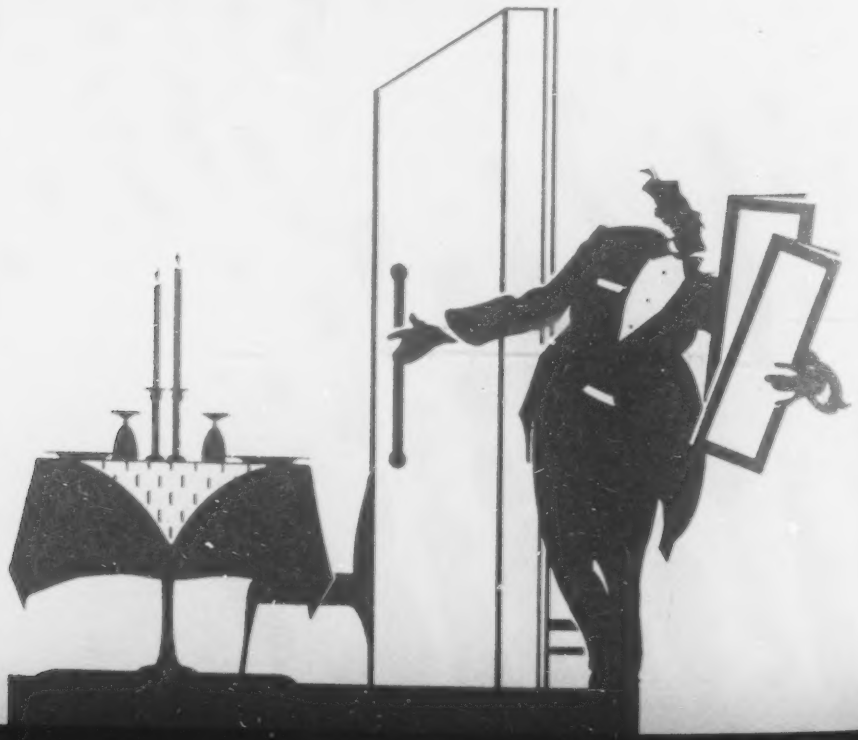
*All amounts are medians.

*1962—The Hotel Manhattan opens a 'hospitality desk' whose staffers speak eight languages.*

Exhibit 4
*Occupancy, Guests Per Room and Average Room Rate**

| | Occupancy | | Number of Guests Per Occupied Room | | Average Room Rate | |
|---|---|---|---|---|---|---|
| | 1986 | 1985 | 1986 | 1985 | 1986 | 1985 |
| All Establishments | 64.9% | 65.5% | 1.81 | 1.56 | $56.29 | $53.81 |
| **Size** | | | | | | |
| Under 150 Rooms | 65.0% | 66.4% | 1.85 | 1.76 | $43.25 | $45.04 |
| 150-299 Rooms | 64.4 | 64.3 | 1.69 | 1.47 | 52.79 | 49.68 |
| 300-600 Rooms | 64.9 | 65.0 | 1.70 | 1.53 | 70.70 | 65.34 |
| Over 600 Rooms | 66.5 | 67.9 | 2.34 | 2.33 | 78.20 | 80.30 |
| **Average Room Rate** | | | | | | |
| Under $40.00 | 64.0% | 59.6% | 1.98 | 1.47 | $34.45 | $35.62 |
| $40.00-$54.99 | 62.8 | 66.3 | 1.67 | 1.39 | 46.38 | 47.49 |
| $55.00-$69.99 | 65.0 | 65.0 | 1.65 | 1.57 | 62.51 | 60.98 |
| $70.00-$84.99 | 69.6 | 67.7 | 2.11 | 1.61 | 76.39 | 77.40 |
| $85.00 and Over | 67.0 | 69.8 | 1.73 | 1.89 | 98.88 | 101.20 |
| **Occupancy** | | | | | | |
| Under 50% | 43.0% | 44.9% | 1.67 | 1.83 | $49.17 | $50.79 |
| 50-59.9% | 55.7 | 55.9 | 2.00 | 1.76 | 53.94 | 50.31 |
| 60-69.9% | 65.4 | 65.2 | 1.66 | 1.64 | 58.49 | 54.03 |
| 70-79.9% | 74.3 | 74.5 | 1.81 | 1.43 | 63.32 | 56.32 |
| 80% and Over | 85.5 | 85.9 | 2.00 | 1.51 | 52.21 | 60.26 |

*All amounts are medians.



# U.S. REGIONAL ANALYSIS

**Profile of the Northeast Region**
*Number of Rooms Per 1000 Population*

0 to 5
6 to 10
11 to 15
16 to 20
21 to 25
26 and Over

## Highlights for 1986

- The occupancy rate was 68.0 percent.
- The average room rate was $63.43.
- The number of properties with 25 or more rooms was 3,610.
- The corresponding number of rooms was 369,000.

### Connecticut

**Prime tourist attractions:**
- Mystic Seaport area
- Marine Life Aquarium
- Coast Guard Academy
- Nautilus Nuclear Submarine Museum

**Conventions:**
- Tops Club International Convention (Hartford)

### Maine

**Prime tourist attractions:**
- Bar Harbor
- Maine Maritime Museum

**Special features:**
- World famous lobsters
- Ice fishing

### Massachusetts

**Prime tourist attractions:**
- Boston Tea Party Ship and Museum
- Faneuil Hall/Quincy Market
- Boston historic area
- Plymouth historic area
- Salem historic area
- Cape Cod/Nantucket/Martha's Vineyard

**Special events:**
- Boston Marathon

**Conventions:**
- Meeting Planners International Conference (Boston)

## New Hampshire

**Prime tourist attractions:**
- White Mountains
- Lake Winnipesauki
- The Flume
- "Old Man of the Mountain"

**Special events:**
- Volvo International Tennis

## New Jersey

**Prime tourist attractions:**
- Meadowlands Sports Complex
- The seashore and boardwalks
- Atlantic City
- Historical sites

**Special events:**
- Miss America Pageant (Atlantic City)
- Amnesty International

**Conventions:**
- Society of Meeting Planners (Atlantic City)
- Pittsburgh Analytical Chemistry & Applied Spectroscopy Conference (Atlantic City)

## New York

**Prime tourist attractions:**
- Empire State Building
- World Trade Center
- Statue of Liberty
- Niagara Falls
- Catskills
- Stock Exchange
- Bronx Zoo
- West Point
- United Nations Headquarters

**Special events:**
- Ringling Brothers and Barnum & Bailey Circus
- New York City Marathon
- Saint Patrick's Day Parade
- New Year's Eve at Times Square
- Christmas Events in Rockefeller Center
- Statue of Liberty's 100th anniversary

**Special features:**
- Broadway shows
- Nightlife/dining/shopping

**Conventions:**
- International Bus Collectors Club Convention (Olean)
- American Bar Association Convention (NYC)
- Original Equipment Manufacturers Design Show (NYC)

## Pennsylvania

**Prime tourist attractions:**
- Amish Country
- Pocono Mountains
- Delaware Water Gap
- Sesame Place
- Philadelphia Historical Area
- Gettysburg National Park
- Dorney Park

**Special events:**
- Army/Navy Game (Philadelphia)
- Anniversary of Battle of Gettysburg

**Conventions:**
- Sweet Adelines Convention (Philadelphia)
- Health Care Exhibitors Association Convention (Philadelphia)

## Rhode Island

**Prime tourist attractions:**
- Newport mansions
- International Tennis Hall of Fame
- Block Island
- Narragansett Bay

**Special events:**
- America's Cup Race

## Vermont

**Prime tourist attractions:**
- Volvo Tennis
- Shelburne Museum
- Mount Killington

**Special features:**
- Granite quarries
- Autumn foliage
- Skiing

## Exhibit 5

*Occupancy, Guests Per Room and Average Room Rate**
*Northeast Region*

| | Occupancy | | Number of Guests Per Occupied Room | | Average Room Rate | |
|---|---|---|---|---|---|---|
| | 1986 | 1985 | 1986 | 1985 | 1986 | 1985 |
| All Establishments | 68.0% | 68.9% | 1.99 | 1.45 | $63.43 | $61.37 |
| **Size** | | | | | | |
| Under 150 Rooms | 63.7% | 70.0% | 2.00 | ** | $50.46 | $49.90 |
| 150-299 Rooms | 67.7 | 65.8 | 1.80 | ** | 61.10 | 54.27 |
| 300-600 Rooms | 68.9 | 70.5 | 1.80 | ** | 83.75 | 79.79 |
| Over 600 Rooms | 72.0 | 71.8 | 1.76 | ** | 102.12 | 86.25 |
| **Average Room Rate** | | | | | | |
| Under $40.00 | 64.5% | ** | 2.00 | ** | $37.26 | ** |
| $40.00-$54.99 | 61.4% | 66.0% | 1.48 | ** | 47.26 | $49.31 |
| $55.00-$69.99 | 67.8 | 64.1 | 2.05 | ** | 62.51 | 62.38 |
| $70.00-$84.99 | 71.7 | 71.0 | 2.00 | ** | 76.22 | 78.72 |
| $85.00 and Over | 69.9 | 72.4 | 1.60 | ** | 100.59 | 120.47 |
| **Occupancy** | | | | | | |
| Under 50% | 47.2% | 47.0% | 1.77 | ** | $44.34 | $63.81 |
| 50-59.9% | 56.3 | ** | 2.12 | ** | 57.39 | ** |
| 60-69.9% | 65.1 | 64.4 | 1.50 | ** | 59.77 | 63.38 |
| 70-79.9% | 73.8 | 72.9 | 1.79 | ** | 76.22 | 71.45 |
| 80% and Over | 86.4 | ** | 2.00 | ** | 63.93 | ** |

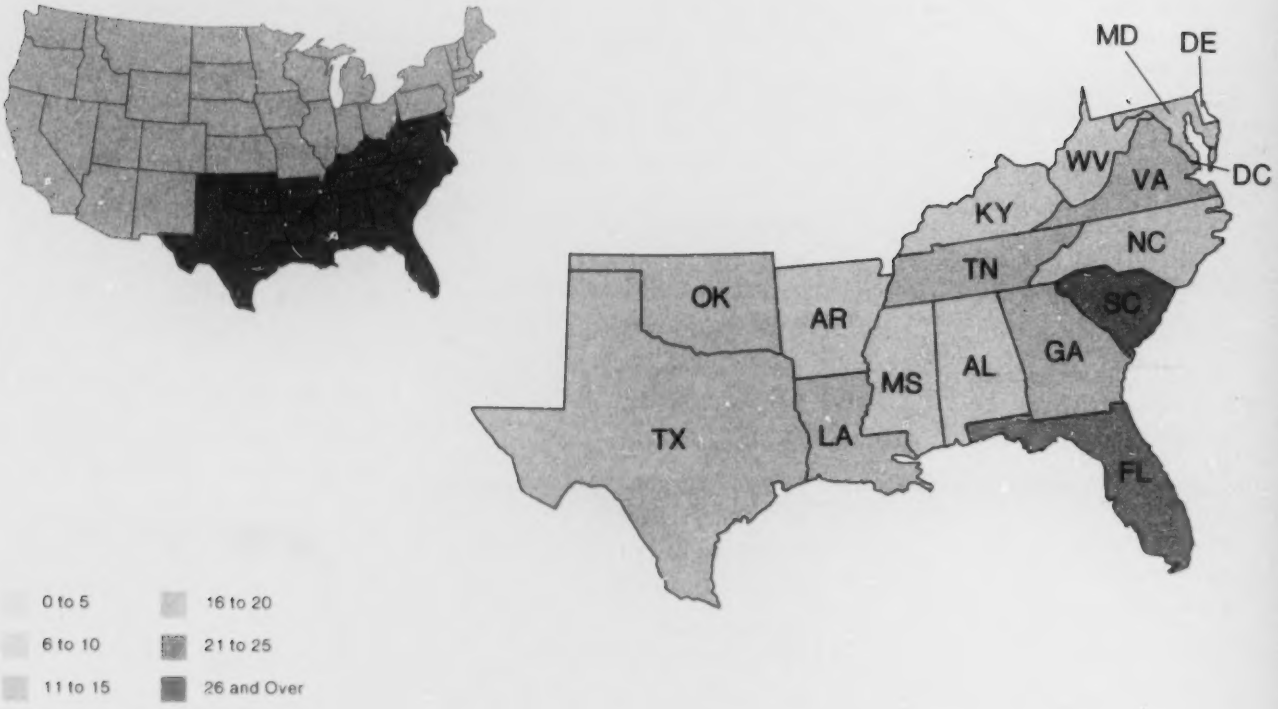
*All amounts are medians.
**Insufficient response.

Exhibit 6
*Market Data**
*Northeast Region*

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150–299 Rooms | 300–600 Rooms | Over 600 Rooms |
| **Source of Business** | | | | | |
| Foreign | 9.9% | 6.9% | 8.5% | 8.5% | ** |
| Domestic | 90.1 | 93.1 | 91.5 | 91.5 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |
| Percentage of Repeat Business | 31.6% | 36.1% | 36.0% | 27.2% | 31.6% |
| **Composition of Market** | | | | | |
| Leisure | 29.7% | 44.7% | 22.6% | 23.0% | 19.0% |
| Business/Government | 46.9 | 44.9 | 49.5 | 40.6 | 38.9 |
| Conference Participants | 16.4 | 7.1 | 20.9 | 25.3 | 23.7 |
| Other | 7.0 | 3.3 | 7.0 | 11.1 | 18.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Percentage of Guests with Advanced Reservations | 80.0% | 84.2% | 83.1% | 88.8% | ** |
| **Advanced Reservation Mix** | | | | | |
| Direct Inquiry | 46.1% | 50.7% | 47.0% | 33.9% | ** |
| Own Reservation System | 23.2 | 26.2 | 22.0 | 19.6 | ** |
| Independent Reservation System | 2.5 | 3.1 | 1.1 | 7.5 | ** |
| Travel Agents | 13.0 | 6.9 | 12.5 | 13.9 | ** |
| Tour Operators | 4.1 | 2.3 | 5.8 | 3.9 | ** |
| Hotel Representatives | 9.7 | 10.4 | 10.1 | 18.6 | ** |
| Transportation Company | 1.4 | 0.4 | 1.5 | 2.6 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |

*All amounts are means.
**Insufficient response.

**Profile of the Southern Region**
*Number of Rooms Per 1000 Population*




### Highlights for 1986

- The occupancy rate was 62.8 percent.
- The average room rate was $51.56.
- The number of properties with 25 or more rooms was 8,443.
- The corresponding number of rooms was 1,067,000.

### Alabama

**Prime tourist attractions:**
- Antebellum mansions
- Gulf Coast beaches
- Alabama Space and Rocket Center

### Arkansas

**Prime tourist attractions:**
- Arkansas Territorial Restoration
- Ozark Folk Center
- Mountain Village 1890
- Crater of Diamonds State Park
- Eureka Springs
- Great Passion Play
- Blanchard Springs Cavern

### Delaware

**Prime tourist attractions:**
- Winterthur Museum and Gardens
- Hagley Museum
- Old Newcastle
- Longwood Gardens

### District of Columbia

**Prime tourist attractions:**
- Georgetown
- United States Capitol
- The Ellipse
- The White House
- Lincoln Memorial
- Smithsonian Institution

**Special events:**
- Washington antique show
- Lincoln Memorial Commemoration
- Cherry Blossom Festival

**Special features:**
- Museums and monuments
- Tours

**Conventions:**
- World Bank Group Board of Governors International Monetary Fund
- American Psychology Association Convention
- Association for the United States Army

### Florida

**Prime tourist attractions:**
- Walt Disney World
- Epcot Center
- Sea World
- Busch Gardens
- Spaceport USA
- Cypress Gardens
- Everglades National Park

**Special features:**
- Beach areas (Daytona, Tampa, Clearwater, Fort Lauderdale, Miami, Key West)

**Conventions:**
- Hotel Sales & Marketing Association Convention (Hollywood)
- Institute of Association Management Companies (Miami)
- Society of Meeting Planners (Grenelefe)

### Georgia

**Prime tourist attractions:**
- Stone Mountain Park
- Savannah
- Georgia's Golden Isles
- North Georgia Mountains

**Conventions:**
- World of Concrete Exposition (Atlanta)
- Atlanta World Computer Graphics Association
- American College of Cardiology Annual Convention (Atlanta)

### Kentucky

**Prime tourist attractions:**
- Land Between the Lakes
- Mammoth Cave National Park
- Churchill Downs Race Track
- Kentucky Dam
- Cumberland Gap National Park
- Old Louisville Preservation District

**Special events:**
- Kentucky Derby

### Louisiana

**Prime tourist attractions:**
- Capitol plantations
- Acadiana Region
- French Quarter

**Special events:**
- Mardi Gras

**Conventions:**
- Lions International (New Orleans)
- Annual Meeting of American Academy of Orthopedic Surgeons (New Orleans)
- American College of Surgeons Clinical Congress (New Orleans)

### Maryland

**Prime tourist attractions:**
- Maryland State House
- Fort McHenry National Monument
- National Aquarium
- Antietam National Battlefield
- Inner Harbor

### Mississippi

**Prime tourist attractions:**
- Historical antebellum homes
- Casey Jones Museum
- Vicksburg National Park

**Conventions:**
- American Polled Hereford Association (Jackson)

### North Carolina

**Prime tourist attractions:**
- Blue Ridge Parkway
- Smokey Mountains
- Old Salem

**Special events:**
- Raleigh State Fair

### Oklahoma

**Prime tourist attractions:**
- Will Rogers Memorial
- Cherokee Heritage Center
- Cowboy Hall of Fame
- Western Heritage Center

**Conventions:**
- International Soul Winning Workshop (Tulsa)
- Mid—Southwest Food Service Show (Oklahoma City)
- Kenneth Hagin Ministries Conference (Tulsa)

### South Carolina

**Prime tourist attractions:**
- Ceasars Head
- Cypress Gardens
- Charleston historical area

**Conventions:**
- Nonwoven Fabrics Industry Association Forum (Clemson)

### Tennessee

**Prime tourist attractions:**
- Land Between the Lakes
- Great Smokey Mountains National Park
- Grand Old Opry

**Conventions:**

- National Association of Accountants Convention (Nashville)
- Southeast Shrine Association Convention (Memphis)

### Texas

**Prime tourist attractions:**

- Austin State Capital
- The Alamo
- Big Bend National Park

**Special events:**

- Farm Aid II

**Conventions:**

- International Computer and Telecommunications Conference (Dallas)
- National Shooting Sports Foundation Convention (Houston)
- National Cable Television Association Convention (Dallas)

### Virginia

**Prime tourist attractions:**

- Williamsburg
- Virginia Beach
- Arlington National Cemetery
- Old Town Alexandria
- Tomb of the Unknown Soldier
- George Washington's Birthplace

### West Virginia

**Prime tourist attractions:**

- Grandview State Park
- Berkeley Springs State Park
- Jefferson County Courthouse and Museum
- Blackwater Falls
- Harpers Ferry National Park

**Special features:**

- Whitewater rafting

**Conventions:**

- Exhibit Designers & Producers Association Meeting (Sulphur Springs)

Exhibit 7

*Occupancy, Guests Per Room and Average Room Rate* Southern Region*

| | Occupancy | | Number of Guests Per Occupied Room | | Average Room Rate | |
|---|---|---|---|---|---|---|
| | 1986 | 1985 | 1986 | 1985 | 1986 | 1985 |
| All Establishments | 62.8% | 63.8% | 1.68 | 1.47 | $51.56 | $48.51 |
| **Size** | | | | | | |
| Under 150 Rooms | 62.3% | 60.0% | 1.85 | ** | $42.05 | $40.37 |
| 150-299 Rooms | 63.6 | 65.8 | 1.57 | ** | 49.64 | 47.47 |
| 300-600 Rooms | 59.2 | 63.4 | 1.67 | ** | 63.09 | 60.05 |
| Over 600 Rooms | 59.2 | 62.6 | 2.28 | ** | 63.73 | 67.52 |
| **Average Room Rate** | | | | | | |
| Under $40.00 | 58.0% | 59.4% | 2.00 | ** | $34.93 | $36.05 |
| $40.00-$54.99 | 61.9 | 65.5 | 1.71 | ** | 46.25 | 47.16 |
| $55.00-$69.99 | 63.9 | 66.2 | 1.56 | ** | 61.30 | 59.71 |
| $70.00-$84.99 | 68.8 | 64.0 | 1.91 | ** | 80.06 | 75.48 |
| $85.00 and Over | 65.4 | ** | 2.41 | ** | 102.76 | ** |
| **Occupancy** | | | | | | |
| Less than 50% | 47.1% | 47.2% | 1.94 | ** | $45.53 | $47.66 |
| 50-59.9% | 57.0 | 57.5 | 1.76 | ** | 51.10 | 45.14 |
| 60-69.9% | 65.5 | 66.2 | 1.65 | ** | 53.70 | 49.22 |
| 70-79.9% | 73.0 | 73.4 | 1.66 | ** | 60.97 | 49.66 |
| 80% and Over | 83.5 | ** | ** | ** | 51.36 | ** |

*All amounts are medians.
**Insufficient response.

## Exhibit 8

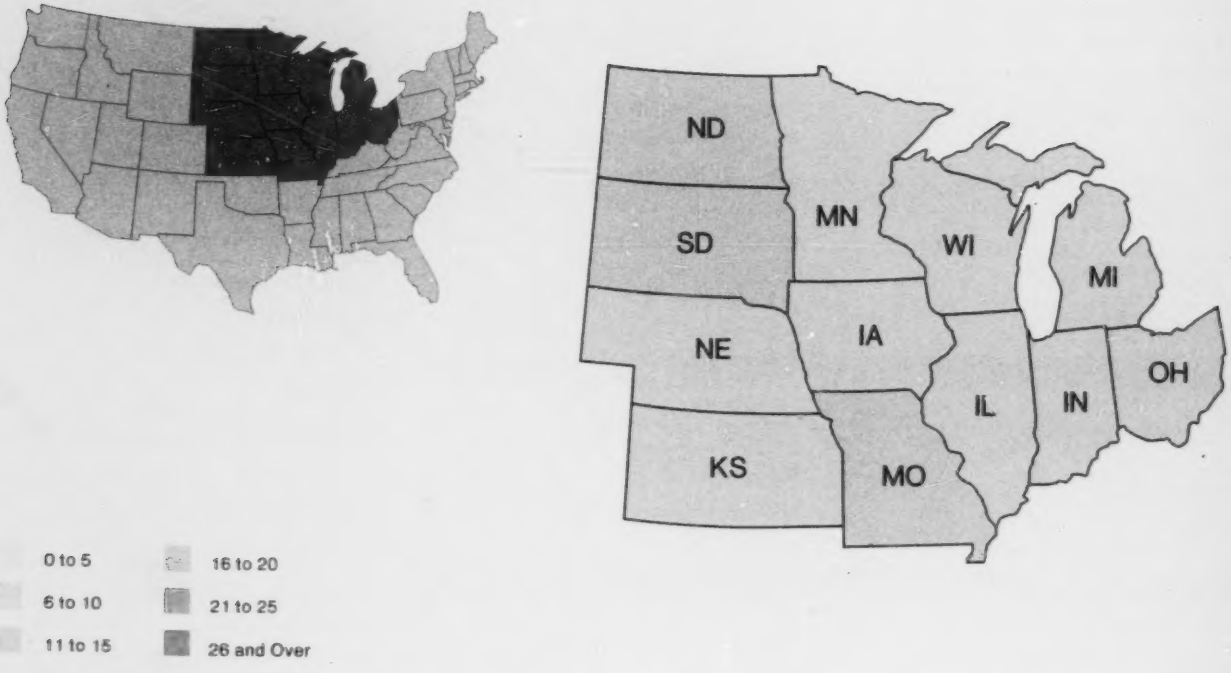
*Market Data**

*Southern Region*

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Source of Business** | | | | | |
| Foreign | 6.7% | 7.6% | 7.1% | 5.6% | ** |
| Domestic | 93.3 | 92.4 | 92.9 | 94.4 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |
| Percentage of Repeat Business | 32.7% | 41.7% | 34.1% | 29.4% | ** |
| **Composition of Market** | | | | | |
| Leisure | 23.9% | 31.2% | 22.1% | 13.8% | ** |
| Business/Government | 45.8 | 53.3 | 48.3 | 38.1 | ** |
| Conference Participants | 21.4 | 9.8 | 22.1 | 33.7 | ** |
| Other | 8.9 | 5.7 | 7.5 | 14.4 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |
| Percentage of Guests with Advanced Reservations | 74.3% | 59.1% | 81.9% | 88.4% | ** |
| **Advanced Reservations Mix** | | | | | |
| Direct Inquiry | 40.4% | 46.3% | 39.4% | 31.0% | ** |
| Own Reservation System | 26.3 | 28.4 | 28.3 | 20.0 | ** |
| Independent Reservation System | 4.7 | 3.8 | 5.4 | 7.7 | ** |
| Travel Agents | 12.6 | 11.1 | 11.5 | 13.6 | ** |
| Tour Operators | 2.8 | 2.0 | 2.2 | 4.6 | ** |
| Hotel Representatives | 11.8 | 4.6 | 12.9 | 22.6 | ** |
| Transportation Company | 1.4 | 3.8 | 0.3 | 0.5 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |

*All amounts are means.
**Insufficient response.

**Profile of the North Central Region**
*Number of Rooms Per 1000 Population*




## Highlights for 1986

- The occupany rate was 63.0 percent.
- The average room rate was $54.88.
- The number of properties with 25 or more rooms was 4,870.
- The corresponding number of rooms was 467,000.

## Illinois

**Prime tourist attractions:**
- Sears Tower
- Shedd Aquarium
- Lincoln Log Cabin (Charleston)

**Special events:**
- Virginia Slims Tennis Tournament
- Special Olympics (Chicago)
- Amnesty International

**Conventions:**
- Supermarket Industry Education Exposition (Chicago)
- Architecture & Engineering Systems Show (Chicago)
- Midwest Food Services (Rosemont)

## Indiana

**Prime tourist attractions:**
- Union Station
- Dunes State Park

**Special events:**
- US Open Clay Court Championship
- Indianapolis 500
- National Hot Rod Association Nationals
- National Sports Festival

**Special features:**
- Union Station redevelopment attracts more visitors
- Convention Center has six exhibition halls

**Conventions:**
- National Baton Twirlers Association Convention (Notre Dame)

## Iowa

**Prime tourist attractions:**
- Lake Okoboji
- Amana Colonies

**Special events:**
- Iowa State Fair
- National Balloon Championship

**Conventions:**
- Midwest Shrine Association Convention (Sioux City)

## Kansas

**Prime tourist attractions:**
- Topeka Zoo
- Eisenhower Center
- Boot Hill
- Dodge City

## Michigan

**Prime tourist attractions:**
- Mackinac Island
- Greenfield Village/Henry Ford Museum

**Special events:**
- Detroit auto shows
- International Grand Prix

## Minnesota

**Prime tourist attractions:**
- Mississippi Headwaters
- Hiawatha Valley
- Boundary Waters Canoe Area
- Minnehaha Falls
- Voyageurs National Park
- City of Minneapolis Aquatennial

**Special events:**
- St. Paul Winter Carnival

**Special features:**
- Abundant vacationing due to 12,000 lakes

**Conventions:**
- Upper Midwest Hospitality Trade Show (Minneapolis)

## Missouri

**Prime tourist attractions:**
- Ozark mountains and streams
- Theme parks

**Conventions:**
- Midwest Food Service Equipment Exposition (St. Louis)
- North Central Manufactured Housing Institute Convention (Kansas City)

## Nebraska

**Prime tourist attractions:**
- Scott's Bluff National Monument
- Harold Warp's Pioneer Prairie
- Stuhr Museum
- Nebraskaland Days in North Platte

**Special events:**
- NCAA College Basketball
- World Championship Rodeo

**Conventions:**
- National Horseshoe Pitchers Association Convention

## North Dakota

**Prime tourist attractions:**
- International Peace Gardens
- Roosevelt National Park
- Fort Lincoln State Park

## Ohio

**Prime tourist attractions:**
- Cincinnati Zoo
- Kings Island
- Sea World
- Serpent Mound State Memorial
- Schoenbrun State Memorial

**Special events:**
- World Series for Golf in Akron

**Special features:**
- Stagecoach wagon inns
- Caves and taverns

**Conventions:**
- Great Lakes Shrine Association Convention (Cincinnati)
- American Legion Convention (Cincinnati)

## South Dakota

**Prime tourist attractions:**
- Mount Rushmore
- Custer State Park
- Sioux Indian Museum
- Pioneer Museum

**Special features:**
- Hot Springs
- Natural phenomenon

## Wisconsin

**Prime tourist attractions:**
- Old Wade House and Carriage Museum
- Vilas/Oneida County
- Heritage Hill State Park
- Lake Winnebago

**Special features:**
- Milwaukee breweries

**Conventions:**
- Womens' Aglow Fellowship International Convention
- Token Medal Society Convention

Exhibit 9

*Occupancy, Guests Per Room and Average Room Rate**
*North Central Region*

| | Occupancy | | Number of Guests Per Occupied Room | | Average Room Rate | |
|---|---|---|---|---|---|---|
| | 1986 | 1985 | 1986 | 1985 | 1986 | 1985 |
| All Establishments | 63.0% | 62.7% | 1.74 | 1.49 | $54.88 | $52.53 |
| **Size** | | | | | | |
| Under 150 Rooms | 63.9% | 65.1% | 1.83 | ** | $44.41 | $42.71 |
| 150-299 Rooms | 63.5 | 61.2 | 2.00 | 1.43 | 49.40 | 47.68 |
| 300-600 Rooms | 62.1 | 62.2 | 1.58 | 1.35 | 65.97 | 63.22 |
| Over 600 Rooms | 63.3 | 61.6 | 2.15 | ** | 84.11 | 80.76 |
| **Average Room Rate** | | | | | | |
| Under $40.00 | 64.8% | 58.8% | 1.88 | ** | $33.48 | $34.95 |
| $40.00-$54.99 | 62.1 | 64.7 | 1.68 | 1.39 | 45.76 | 46.47 |
| $55.00-$69.99 | 57.5 | 62.7 | 1.82 | 1.51 | 62.46 | 62.44 |
| $70.00-$84.99 | 64.1 | 62.9 | 1.69 | ** | 75.44 | 75.17 |
| $85.00 and Over | 58.2 | 61.2 | 1.87 | ** | 96.95 | 95.18 |
| **Occupancy** | | | | | | |
| Under 50% | 42.2% | 42.4% | 1.83 | 1.83 | $49.40 | $52.15 |
| 50-59.9% | 54.5 | 55.8 | 1.88 | 1.39 | 60.36 | 52.94 |
| 60-69.9% | 64.9 | 64.7 | 1.69 | 1.55 | 56.74 | 52.71 |
| 70-79.9% | 74.0 | 74.6 | 1.49 | ** | 57.40 | 50.10 |
| 80% and Over | 85.0 | ** | 1.83 | ** | 44.20 | ** |

*All amounts are medians.
**Insufficient response.

## Exhibit 10

*Market Data**

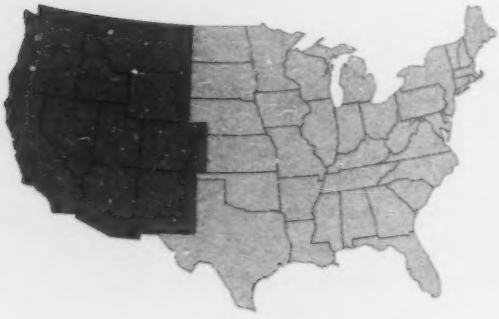
*North Central Region*

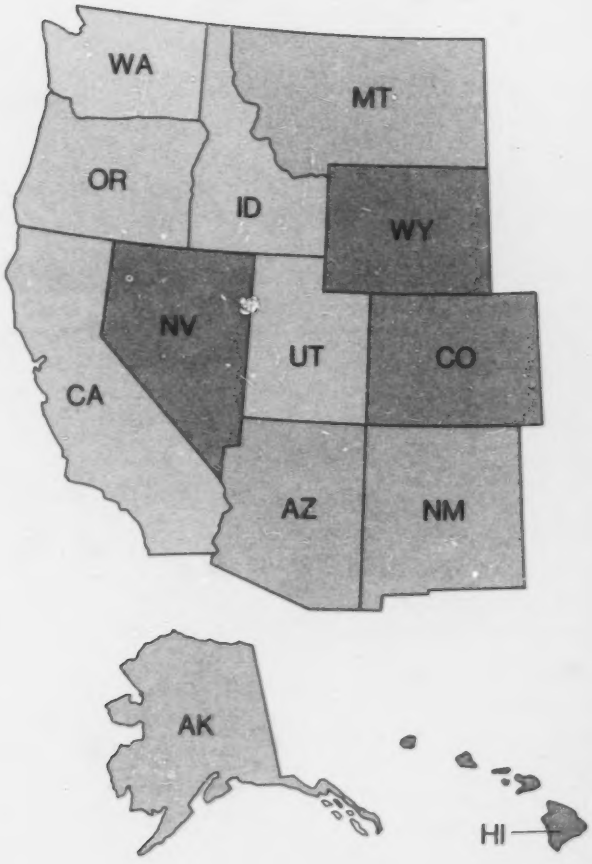
| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150–299 Rooms | 300–600 Rooms | Over 600 Rooms |
| **Source of Business** | | | | | |
| Foreign | 10.9% | 9.2% | 11.8% | 9.4% | ** |
| Domestic | 89.1 | 90.8 | 88.2 | 90.6 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |
| Percentage of Repeat Business | 31.7% | 42.4% | 31.5% | 32.3% | 10.3% |
| **Composition of Market** | | | | | |
| Leisure | 29.4% | 39.7% | 28.5% | 25.0% | ** |
| Business/Government | 39.8 | 43.5 | 39.5 | 34.0 | ** |
| Conference Participants | 22.0 | 8.1 | 19.9 | 35.8 | ** |
| Other | 8.8 | 8.7 | 12.1 | 5.2 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |
| Percentage of Guests with Advanced Reservations | 70.4% | 60.3% | 71.8% | 85.1% | ** |
| **Advanced Reservation Mix** | | | | | |
| Direct Inquiry | 36.8% | 50.3% | 28.0% | 32.1% | ** |
| Own Reservation System | 24.0 | 24.8 | 29.4 | 21.7 | ** |
| Independent Reservation System | 4.4 | 2.0 | 4.3 | 4.5 | ** |
| Travel Agents | 13.7 | 10.8 | 13.0 | 17.1 | ** |
| Tour Operators | 4.8 | 3.4 | 7.2 | 4.7 | ** |
| Hotel Representatives | 15.2 | 7.2 | 16.9 | 19.3 | ** |
| Transportation Company | 1.1 | 1.5 | 1.2 | 0.6 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |

*All amounts are means.
**Insufficient response.

**Profile of the Western Region**

*Number of Rooms Per 1000 Population*






0 to 5
6 to 10
11 to 15
16 to 20
21 to 25
26 and Over

## Highlights for 1986

- The occupancy rate was 67.5 percent.
- The average room rate was $57.81.
- The number of properties with 25 or more rooms was 6,764.
- The corresponding number of rooms was 716,000.

## Alaska

**Prime tourist attractions:**
- Denali National Park
- Mount McKinley
- Sitka National Historic Park
- Matanuska Valley

## Arizona

**Prime tourist attractions:**
- Grand Canyon
- Lake Powell
- Glen Canyon
- Arizona Sonoma Desert Museum
- Hoover Dam
- Petrified Forrest

**Special features:**
- Indian reservations (Hopi, Navajo)

## California

**Prime tourist attractions:**
- Disneyland
- Knott's Berry Farm
- Universal Studios
- San Diego Zoo
- Yosemite National Park
- Death Valley

**Special events:**
- Super Bowl 1986
- Amnesty International

**Special features:**
- A "gateway to the Orient" for jet travel

**Conventions:**
- Womens' International Bowling Congress (Anaheim)

- Church of God in Christ Womens' International Convention (Long Beach)
- Eckankar International Worldwide Convention (San Francisco)

### Colorado

**Prime tourist attractions:**
- Mesa Verde National Park
- Rocky Mountain National Park
- Pikes Peak
- Durango–Silverton Narrow Gauge Railway

**Conventions:**
- Rocky Mountain Regional Hospitality Convention & Exhibition (Denver)
- Central States Shrine Association Conference (Colorado Springs)
- Gideons International Conference (Denver)

### Hawaii

**Prime tourist attractions:**
- Arizona Memorial
- National Cemetery of the Pacific
- Punchbowl
- Polynesian Culture Center
- Kilahuahea Visitors Center

### Idaho

**Prime tourist attractions:**
- Sun Valley
- Island Park
- Coeur d'Alene Area
- Sand Point
- Sawtooth National Recreation Area

**Special events:**
- Boise and Blackfoot State Fairs

### Montana

**Prime tourist attractions:**
- Glacier and Yellowstone National Parks
- Custer Battlefield
- National Bison Range
- Lewis and Clark Caverns State Park

### Nevada

**Prime tourist attractions:**
- Las Vegas
- Reno
- Hoover Dam

**Special features:**
- Ghost towns
- Las Vegas Convention Center seats 7,000

**Conventions:**
- Photo Marketing Association International Convention (Las Vegas)
- Rotary International Convention (Las Vegas)
- International Foundation of Employee Benefit Plans Education Conference (Las Vegas)

### New Mexico

**Prime tourist attractions:**
- Space Center
- Indian Pueblo Cultural Center
- Aztec Ruins
- White Sands National Monument

**Special features:**
- Indian and Spanish cultures
- National parks

### Oregon

**Prime tourist attractions:**
- Cascade Mountains
- Mount Hood
- Crater Lake
- Columbia River Gorge

### Utah

**Prime tourist attractions:**
- Temple Square
- Lake Powell
- Glen Canyon
- Dinosaur Quarry

**Special events:**
- "Days of 47" Celebration

**Special features:**
- Skiing
- National parks

**Conventions:**
- SPEBSQUSA National Convention

### Washington

**Prime tourist attractions:**
- Olympic Peninsula
- Mount Rainier
- Grand Coulee Dam
- Mount Saint Helens

**Special events:**
- US Figure Skating Championship

**Conventions:**
- US Telephone Association (Seattle)

### Wyoming

**Prime tourist attractions:**
- Yellowstone National Park
- Grand Teton National Park
- Devil's Tower
- Buffalo Bill Historic Center

*Sources for maps:*
Regional Information Service, Data Resources Inc., Winter 1986-87
Inventory of the Lodging Industry Database, Laventhol & Horwath

*Sources for "U.S. Regional Analysis":*
Meetings & Conventions, March 1986
Successful Meetings, August 1986
Travel Market Yearbook, December 1986

## Exhibit 11

*Occupancy, Guests Per Room and Average Room Rate**
*Western Region*

| | Occupancy | | Number of Guests Per Occupied Room | | Average Room Rate | |
|---|---|---|---|---|---|---|
| | 1986 | 1985 | 1986 | 1985 | 1986 | 1985 |
| All Establishments | 67.5% | 68.5% | 2.06 | 1.79 | $57.81 | $57.01 |
| **Size** | | | | | | |
| Under 150 Rooms | 69.5% | 70.3% | 1.56 | ** | $43.25 | $47.58 |
| 150-299 Rooms | 64.7 | 65.1 | 1.51 | 2.02 | 56.86 | 53.06 |
| 300-600 Rooms | 69.6 | 70.3 | 2.43 | 1.65 | 73.41 | 71.17 |
| Over 600 Rooms | 72.3 | 77.4 | 2.56 | ** | 78.78 | 89.39 |
| **Average Room Rate** | | | | | | |
| Under $40.00 | 65.3% | 64.6% | 1.96 | ** | $33.40 | $35.19 |
| $40.00-$54.99 | 66.5 | 67.6 | 1.67 | 1.85 | 46.71 | 48.39 |
| $55.00-$69.99 | 67.7 | 69.1 | 1.65 | 2.18 | 62.46 | 61.12 |
| $70.00-$84.99 | 72.5 | 74.2 | 2.55 | ** | 75.25 | 76.54 |
| $85.00 and Over | 67.8 | 72.3 | 1.75 | ** | 98.61 | 98.69 |
| **Occupancy** | | | | | | |
| Under 50% | 41.6% | 41.5% | 1.51 | ** | $52.55 | $58.08 |
| 50-59.9% | 55.4 | 55.8 | 2.53 | ** | 46.65 | 56.39 |
| 60-69.9% | 65.6 | 65.5 | 1.73 | ** | 60.19 | 53.51 |
| 70-79.9% | 75.0 | 76.3 | 2.31 | 2.33 | 61.40 | 60.08 |
| 80% and Over | 86.2 | 86.9 | 2.35 | ** | 66.95 | 69.60 |

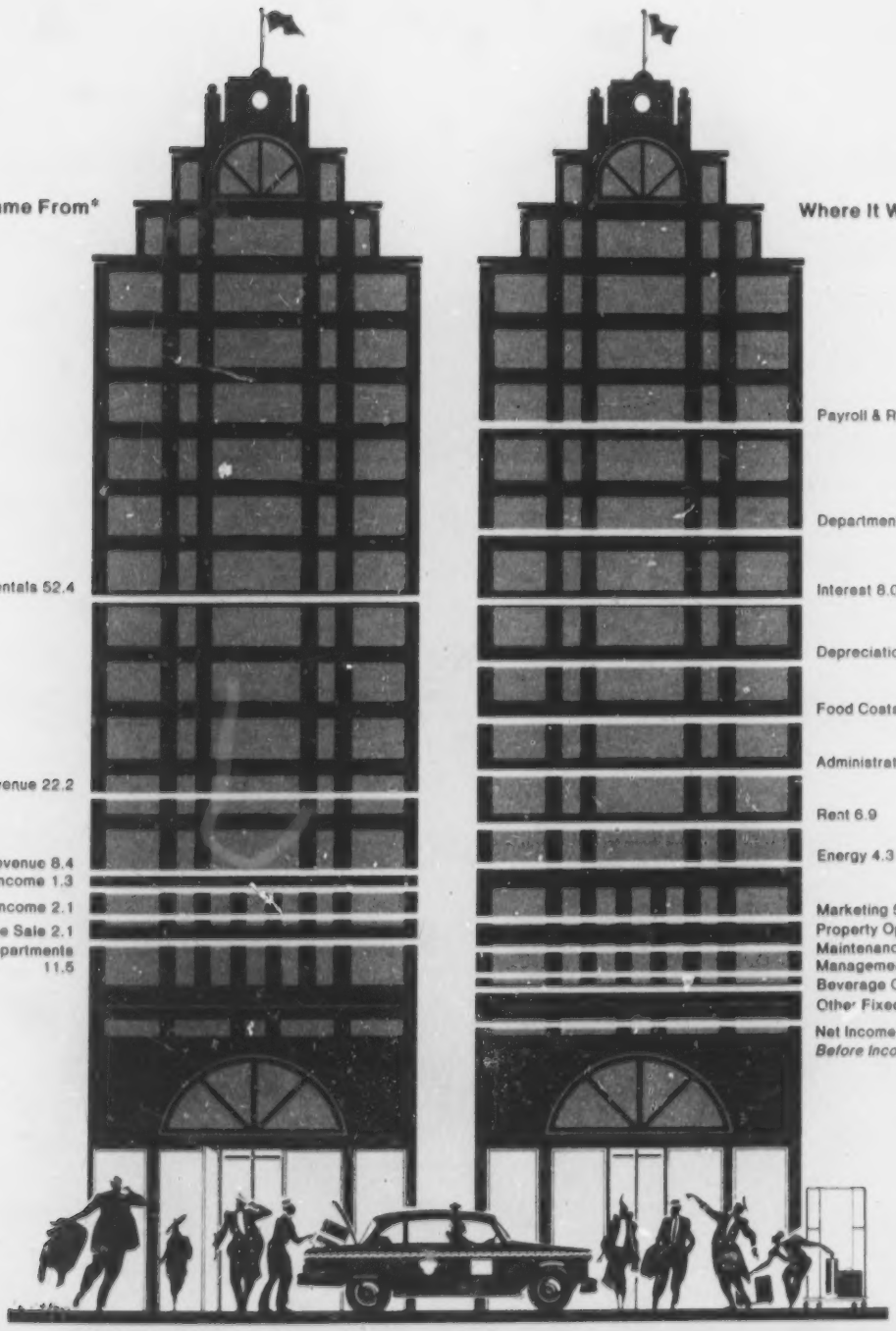
*All amounts are medians.
**Insufficient response.

Exhibit 12
*Market Data**
*Western Region*

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Source of Business** | | | | | |
| Foreign | 12.8% | 14.4% | 9.7% | 13.1% | ** |
| Domestic | 87.2 | 85.6 | 90.2 | 86.9 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |
| Percentage of Repeat Business | 25.5% | 35.5% | 30.5% | 12.5% | 0.3% |
| **Composition of Market** | | | | | |
| Leisure | 34.6% | 43.7% | 24.3% | 32.3% | 23.0% |
| Business / Government | 39.2 | 40.1 | 48.0 | 25.6 | 14.9 |
| Conference Participants | 15.7 | 6.7 | 18.8 | 25.2 | 35.6 |
| Other | 10.5 | 9.5 | 8.9 | 16.9 | 26.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Percentage of Guests with Advanced Reservations | 68.8% | 54.9% | 77.9% | 81.2% | ** |
| **Advanced Reservation Mix** | | | | | |
| Direct Inquiry | 44.3% | 53.2% | 36.4% | 31.0% | ** |
| Own Reservation System | 20.3 | 20.9 | 22.5 | 23.0 | ** |
| Independent Reservation System | 5.0 | 2.5 | 5.7 | 4.5 | ** |
| Travel Agents | 15.5 | 11.4 | 19.1 | 22.2 | ** |
| Tour Operators | 6.6 | 6.3 | 5.3 | 9.4 | ** |
| Hotel Representatives | 7.8 | 5.4 | 10.4 | 9.4 | ** |
| Transportation Company | 0.5 | 0.3 | 0.6 | 0.5 | ** |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | ** |

*All amounts are means.
**Insufficient response.

# The U.S. Lodging Industry Dollar 1986




*Based on weighted mean.

## Exhibit 13

*Rooms Department*
*Ratio to Room Sales**

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Revenue** | | | | | |
| Room Sales | 100.3% | 100.0% | 100.2% | 100.5% | 100.7% |
| Allowances | 0.7 | 0.7 | 0.8 | 0.9 | 0.7 |
| Net Revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Expenses** | | | | | |
| Payroll & Related | 17.5% | 16.7% | 16.9% | 17.8% | 18.9% |
| Travel Agent Commissions & Reservation Expense | 2.4 | 1.2 | 2.5 | 2.7 | 3.7 |
| Contract Cleaning, Dry Cleaning, Linen and Laundry | 2.2 | 1.3 | 1.9 | 2.6 | 3.0 |
| Operating Supplies | 2.3 | 2.5 | 2.1 | 2.4 | 2.1 |
| All Other Expenses | 1.7 | 1.5 | 1.9 | 1.6 | 1.3 |
| Total Departmental Expenses | 26.9 | 23.7 | 25.9 | 27.6 | 28.1 |
| **Net Departmental Income** | 73.1% | 76.3% | 74.1% | 72.4% | 71.9% |

*All amounts are medians and do not necessarily add to totals shown.

## Exhibit 14

*Distribution of Sales**

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Sales Distribution** | | | | | |
| Cash Sales | 31.7% | 37.8% | 27.9% | 24.5% | 20.6% |
| Credit Card Sales | 52.8 | 51.6 | 54.9 | 55.0 | 51.8 |
| All Other Credit Sales | 16.6 | 10.6 | 17.2 | 20.5 | 27.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Percentage of Cash Sales from Travel Agents and Tour Operators | 18.7% | 16.6% | 15.9% | 24.2% | ** |
| **Percentage of Credit Card Sales by Card** | | | | | |
| American Express | 45.9% | 39.5% | 46.8% | 54.6% | 57.6% |
| Visa | 24.4 | 28.3 | 23.7 | 20.5 | 18.8 |
| MasterCard | 19.8 | 23.8 | 18.6 | 16.7 | 15.5 |
| Diners' Club | 5.0 | 4.6 | 5.7 | 4.7 | 4.4 |
| Carte Blanche | 2.0 | 1.7 | 2.1 | 2.1 | 2.9 |
| Discover | 1.5 | 1.5 | 1.4 | 1.0 | 0.3 |
| Other | 1.4 | 0.6 | 1.7 | 0.4 | 0.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

*All amounts are means.
**Insufficient response.

| Average Daily Rate | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | $85.00 and Over |
| 100.0% | 100.0% | 100.2% | 100.7% | 100.5% |
| 0.8 | 0.9 | 0.8 | 0.8 | 0.7 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| 18.6% | 16.5% | 17.3% | 17.9% | 17.4% |
| 0.9 | 2.2 | 2.7 | 2.6 | 2.7 |
| 1.5 | 1.9 | 2.1 | 2.4 | 2.6 |
| 2.5 | 2.3 | 2.0 | 2.1 | 2.3 |
| 2.0 | 1.5 | 2.1 | 1.1 | 1.6 |
| 26.1 | 25.7 | 26.3 | 27.0 | 26.8 |
| 73.9% | 74.3% | 73.7% | 73.0% | 73.2% |

## Exhibit 15

*Sales Per Guest Day**

| | All Establishments | Location of Property | | | | |
|---|---|---|---|---|---|---|
| | | Center City | Suburban | Airport | Highway | Resort |
| Rooms | $42.07 | $48.81 | $42.15 | $45.20 | $31.39 | $36.96 |
| Food & Beverage | 27.91 | 31.09 | 28.02 | 25.17 | 22.98 | 21.69 |
| Telephone | 1.64 | 1.99 | 1.58 | 2.07 | 1.07 | 1.06 |
| Minor Departments | 0.78 | 0.83 | 0.38 | 0.24 | 0.73 | 3.38 |
| Rentals & Other Income | 0.85 | 0.95 | 0.74 | 0.93 | 0.57 | 0.92 |
| Total | $74.10 | $84.66 | $70.10 | $75.35 | $51.99 | $75.90 |

*All amounts are medians and do not necessarily add to totals shown.

## Exhibit 16

*Ratios of Total Food and Beverage Sales**

| | All Establishments | Restaurant Operated Total Food & Beverage Sales as a Ratio to Total Sales*** | | | |
|---|---|---|---|---|---|
| | | 0-25.0% | 25.1-35.0% | 35.1-45.0% | 45.1% and Over |
| **Sales** | | | | | |
| Food | 73.9% | 73.5% | 73.9% | 74.1% | 74.2% |
| Beverage | 26.2 | 26.9 | 26.1 | 25.9 | 26.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Cost of Sales**** | | | | | |
| Food | 34.3% | 35.4% | 33.6% | 33.7% | 35.3% |
| Beverage | 22.9 | 23.2 | 22.3 | 22.6 | 24.1 |
| Total | 31.0% | 31.8% | 30.7% | 30.6% | 32.2% |
| Gross Profit | 69.0% | 68.4% | 69.3% | 69.5% | 67.8% |
| Public Room Sales | 2.8 | 3.5 | 3.5 | 2.4 | 1.8 |
| Other Income | 1.5 | 1.3 | 1.7 | 1.5 | 1.4 |
| Total | 73.2% | 72.7% | 74.2% | 73.8% | 70.6% |
| **Departmental Expenses** | | | | | |
| Payroll & Related Expenses | 43.5% | 48.7% | 44.1% | 42.2% | 40.3% |
| China, Glassware, Silver & Linen | 1.5 | 1.5 | 1.5 | 1.5 | 1.4 |
| Contract Cleaning | 0.3 | 0.4 | 0.2 | 0.2 | 0.2 |
| Laundry & Dry Cleaning | 1.2 | 1.2 | 1.2 | 1.1 | 1.2 |
| Operating Supplies | 2.7 | 3.3 | 2.8 | 2.5 | 2.6 |
| Uniforms | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| All Other Operating Expenses | 5.1 | 5.0 | 5.1 | 5.3 | 5.0 |
| Total | 55.5% | 61.4% | 56.2% | 54.5% | 50.6% |
| **Departmental Income** | 17.4% | 12.0% | 17.9% | 18.0% | 20.8% |

*All amounts are medians and do not necessarily add to totals shown.
**Cost of sales ratios, except total cost of sales, are shown as a percentage of corresponding sales.
***Readers should be cautioned that these figures are not directly comparable with those in previous reports.

| Average Room Rate | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | $85.00 and Over |
| | | | | |
| 75.2% | 74.6% | 73.6% | 73.3% | 72.9% |
| 25.9 | 25.8 | 26.4 | 26.7 | 27.2 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| 37.1% | 36.5% | 34.2% | 32.0% | 31.5% |
| 25.0 | 24.5 | 22.3 | 21.1 | 21.2 |
| 33.4% | 32.9% | 30.5% | 29.9% | 29.2% |
| 66.6% | 67.1% | 69.5% | 70.2% | 70.8% |
| 2.3 | 2.9 | 3.6 | 3.0 | 1.9 |
| 2.4 | 1.2 | 1.2 | 1.6 | 1.8 |
| 70.7% | 70.2% | 74.2% | 76.4% | 75.0% |
| | | | | |
| 40.7% | 41.0% | 43.6% | 43.3% | 45.4% |
| | | | | |
| 1.1 | 1.2 | 1.5 | 1.6 | 2.0 |
| 0.2 | 0.3 | 0.3 | 0.2 | 0.7 |
| 0.6 | 1.0 | 1.3 | 1.2 | 1.3 |
| 2.6 | 3.0 | 2.5 | 2.6 | 2.5 |
| 0.3 | 0.3 | 0.4 | 0.4 | 0.6 |
| 4.6 | 5.3 | 5.2 | 4.3 | 4.7 |
| 51.2% | 52.2% | 55.4% | 55.4% | 57.7% |
| 17.6% | 17.7% | 18.7% | 16.6% | 17.9% |

Exhibit 17
*Food and Beverage Statistics—By Selected Criteria**

| | Size of Property | | | |
|---|---|---|---|---|
| | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Food Sales—By Property** | | | | |
| Amount Per Available Room | | | | |
| Dining Room(s) | $3,277 | $2,620 | $3,063 | $3,157 |
| Room Service | 157 | 325 | 535 | 617 |
| Banquet | 933 | 1,936 | 3,094 | 2,984 |
| Bar/Lounge | 229 | 70 | 147 | 82 |
| Total | $3,697 | $4,960 | $6,958 | $7,674 |
| Ratio to Food Sales | | | | |
| Dining Room(s) | 77.9% | 58.0% | 44.9% | 44.4% |
| Room Service | 4.0 | 5.6 | 7.6 | 9.1 |
| Banquet | 23.3 | 38.2 | 46.4 | 45.8 |
| Bar/Lounge | 3.0 | 1.4 | 1.7 | 1.1 |
| Amount Per Seat | | | | |
| Dining Room(s) | $4,049 | $4,456 | $5,397 | $7,549 |
| Banquet | 421 | 689 | 980 | 1,066 |
| Bar/Lounge | 275 | 150 | 380 | 351 |
| Total | $1,639 | $1,306 | $1,679 | $1,796 |
| Average Check | | | | |
| Dining Room(s) | $ 6.67 | $ 7.55 | $ 8.50 | $10.10 |
| Room Service | 8.49 | 7.60 | 8.24 | 10.93 |
| Banquet | 7.64 | 11.14 | 15.66 | 20.74 |
| Total | $ 6.31 | $ 8.07 | $10.27 | $12.02 |
| Covers Served Per Seat | | | | |
| Dining Room(s) | 583 | 567 | 639 | 800 |
| Banquet | 80 | 65 | 71 | 81 |
| **Room Service Sales** | | | | |
| Per Occupied Room | | | | |
| Food | $ 0.62 | $ 1.42 | $ 2.38 | $ 2.63 |
| Beverage | 0.19 | 0.28 | 0.54 | 0.95 |
| Total | $ 1.01 | $ 2.03 | $ 2.98 | $ 3.69 |

*All amounts are medians and do not necessarily add to totals shown.
***Readers should be cautioned that these figures are not directly comparable with those in previous reports.

| | Restaurant Operated<br>Total Food & Beverage Sales as a Ratio to Total Sales*** | | |
|---|---|---|---|
| 0-25.0% | 25.1-35.0% | 35.1-45.0% | 45.1% and Over |
| | | | |
| $1,864 | $2,516 | $3,427 | $5,160 |
| 367 | 395 | 521 | 477 |
| 803 | 1,964 | 3,207 | 3,509 |
| 70 | 60 | 127 | 220 |
| $2,660 | $4,882 | $7,391 | $9,292 |
| | | | |
| 68.9% | 52.5% | 47.8% | 53.7% |
| 10.2 | 7.3 | 6.0 | 4.9 |
| 26.9 | 41.7 | 44.6 | 40.8 |
| 1.9 | 1.4 | 2.1 | 2.0 |
| | | | |
| $4,250 | $4,428 | $4,938 | $6,301 |
| 489 | 714 | 815 | 1,123 |
| 157 | 210 | 192 | 376 |
| $1,145 | $1,428 | $1,617 | $2,246 |
| | | | |
| $ 6.04 | $ 7.80 | $ 9.13 | $ 9.79 |
| 7.41 | 8.22 | 8.48 | 8.74 |
| 11.43 | 14.34 | 14.20 | 14.11 |
| $ 7.21 | $ 9.48 | $10.48 | $ 9.34 |
| | | | |
| 643 | 583 | 579 | 686 |
| 61 | 65 | 78 | 77 |
| | | | |
| | | | |
| $ 1.47 | $ 1.74 | $ 2.19 | $ 2.28 |
| 0.31 | 0.44 | 0.58 | 0.49 |
| $ 1.92 | $ 2.62 | $ 2.97 | $ 2.99 |

## Exhibit 17

*Food and Beverage Statistics—By Selected Criteria**
(continued)

| | Size of Property | | | |
|---|---|---|---|---|
| | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Beverage Sales—By Property** | | | | |
| Amount Per Available Room | | | | |
| Dining Room(s) | $ 844 | $ 551 | $ 602 | $ 714 |
| Room Service | 50 | 64 | 121 | 241 |
| Banquet | 162 | 404 | 679 | 746 |
| Bar/Lounge | 1,359 | 1,048 | 912 | 874 |
| Total | $1,891 | $2,182 | $2,423 | $2,591 |
| Ratio to Beverage Sales | | | | |
| Dining Room(s) | 35.5% | 23.8% | 22.5% | 28.3% |
| Room Service | 2.3 | 2.5 | 4.7 | 9.4 |
| Banquet | 10.3 | 20.0 | 29.5 | 31.3 |
| Bar/Lounge | 77.3 | 57.1 | 42.9 | 39.6 |
| Ratio to Food Sales | | | | |
| Dining Room(s) | 8.3% | 14.2% | 15.8% | 18.9% |
| Room Service | 10.0 | 15.0 | 22.0 | 35.0 |
| Banquet | 16.2 | 21.1 | 22.8 | 22.5 |
| Total (Including Bar/Lounge) | 40.4% | 37.5% | 34.4% | 34.4% |
| Amount Per Seat | | | | |
| Dining Room(s) | $ 68 | $ 461 | $ 853 | $1,286 |
| Banquet | 85 | 139 | 212 | 224 |
| Bar/Lounge | 2,101 | 2,500 | 3,033 | 3,800 |
| Total | $ 627 | $ 633 | $ 704 | $ 504 |

*All amounts are medians and do not necessarily add to totals shown.
***Readers should be cautioned that these figures are not directly comparable with those in previous reports.

| Restaurant Operated Total Food & Beverage Sales as a Ratio to Total Sales*** | | | |
|---|---|---|---|
| 0-25.0% | 25.1-35.0% | 35.1-45.0% | 45.1% and Over |
| | | | |
| $ 357 | $ 539 | $ 674 | $ 964 |
| 82 | 92 | 118 | 98 |
| 205 | 413 | 734 | 897 |
| 553 | 873 | 1,169 | 1,814 |
| $ 939 | $1,948 | $3,028 | $3,350 |
| | | | |
| 23.9% | 27.6% | 21.6% | 29.3% |
| 5.7 | 4.5 | 4.2 | 2.5 |
| 18.2 | 22.7 | 29.2 | 23.9 |
| 57.7 | 50.3 | 43.9 | 45.8 |
| | | | |
| 13.0% | 15.7% | 16.6% | 15.3% |
| 18.6 | 17.7 | 20.0 | 19.6 |
| 21.6 | 20.1 | 23.0 | 24.9 |
| 36.0% | 35.3% | 35.0% | 36.5% |
| | | | |
| $ 313 | $ 331 | $ 724 | $ 468 |
| 90 | 142 | 176 | 216 |
| 2,013 | 2,470 | 2,734 | 2,800 |
| $ 549 | $ 585 | $ 676 | $ 708 |

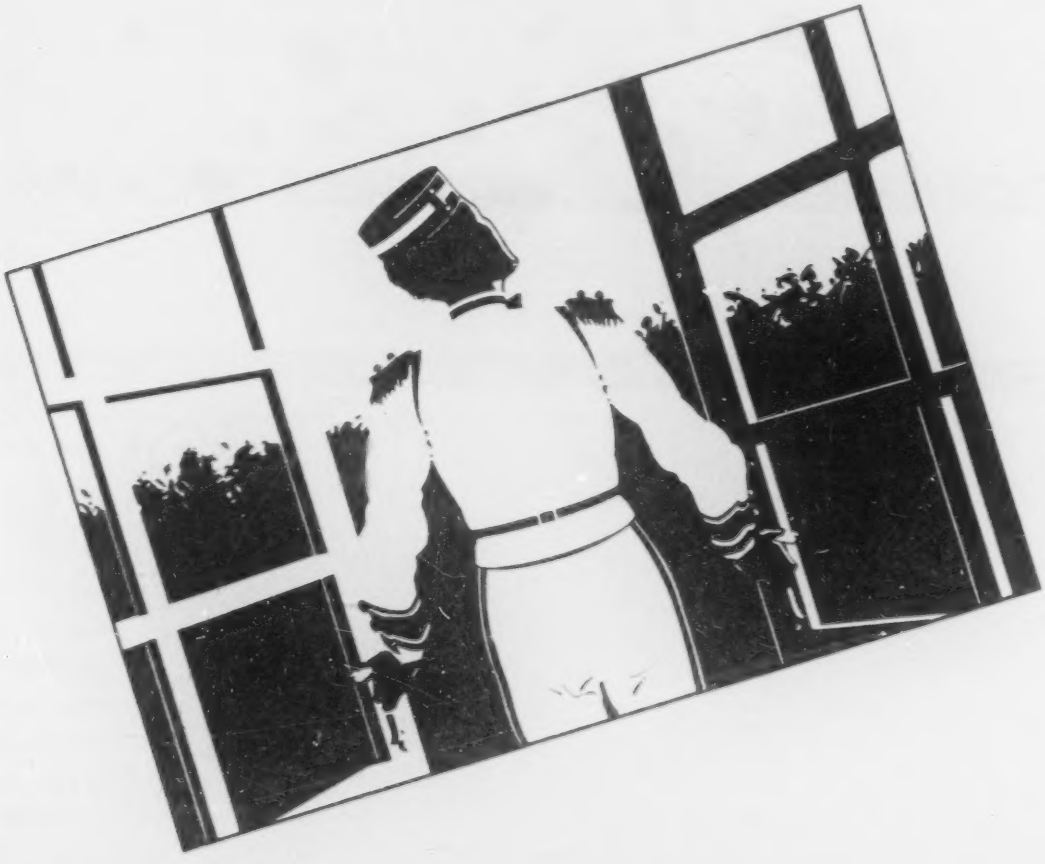
*Tremont House in Boston opens in 1829 with many "firsts," including inside water closets.*

## Exhibit 18

*Ratios to Telephone Department Expenses**

| | All Establishments |
|---|---|
| Sales | 100.0% |
| **Cost of Sales** | |
| Cost of Calls | 54.5 |
| Equipment Rental | 20.6 |
| Total Cost of Sales | 73.6 |
| Payroll & Related Expenses | 25.8 |
| All Other Expenses | 2.4 |
| Total Departmental Expenses | 97.2 |
| Net Department Income (Loss) | 4.5% |

*All amounts are medians and do not necessarily add to totals shown.



## Exhibit 19

*Minor-Operated Departments and Other Income*
*Amounts Per Available Room and Ratios to Total Sales**

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| **Telephone** | | | | | |
| Sales | $499 | $335 | $435 | $673 | $796 |
| Cost of Sales | | | | | |
| Cost of Calls | 283 | 264 | 262 | 317 | 326 |
| Equipment Rental | 96 | 131 | 88 | 81 | 91 |
| Total | 363 | 352 | 343 | 428 | 445 |
| Payroll & Related Expenses | 179 | 216 | 142 | 210 | 230 |
| All Other Expenses | 15 | 21 | 18 | 11 | 13 |
| Total Department Expenses | 490 | 351 | 417 | 647 | 713 |
| Net Department Income (Loss) | $ 12 | $ (29) | $ 21 | $ 45 | $ 90 |
| **Minor Departments** | | | | | |
| Sales | $303 | $166 | $298 | $471 | $283 |
| Cost of Sales | 140 | 99 | 184 | 144 | 94 |
| Payroll & Related Expenses | 185 | 125 | 175 | 197 | 212 |
| Other Expenses | 52 | 204 | 54 | 51 | 27 |
| Total Department Costs & Expenses | 301 | 141 | 280 | 389 | 269 |
| Net Department Income (Loss) | $ 40 | $ 36 | $ 24 | $ 59 | $ 63 |
| **Rentals & Other Income** | | | | | |
| Space Rentals | $ 94 | $ 76 | $ 62 | $ 97 | $234 |
| Concessions | 34 | 28 | 26 | 46 | 93 |
| Commissions | 32 | 30 | 27 | 40 | 69 |
| Other | 114 | 89 | 80 | 152 | 208 |
| Total Department Income | $269 | $143 | $222 | $329 | $698 |
| **Ratios to Total Sales** | | | | | |
| **Telephone** | | | | | |
| Sales | 2.3% | 2.3 % | 2.2% | 2.4% | 2.5% |
| Cost of Sales | 1.8 | 2.4 | 1.8 | 1.5 | 1.5 |
| Payroll & Related Expenses | 0.7 | 0.7 | 0.5 | 0.7 | 0.7 |
| Net Income (Loss) | 0.1% | (0.3)% | 0.1% | 0.1% | 0.3% |
| **Minor Departments** | | | | | |
| Sales | 1.3% | 0.9 % | 1.4% | 1.7% | 1.0% |
| Cost of Sales | 0.6 | 0.7 | 0.8 | 0.6 | 0.3 |
| Payroll & Related Expenses | 0.7 | 0.8 | 0.8 | 0.6 | 0.6 |
| Net Income (Loss) | 0.1% | 0.3 % | 0.1% | 0.2% | 0.2% |
| **Rentals and Other Income** | | | | | |
| Space Rentals | 0.4% | 0.5 % | 0.3% | 0.3% | 0.7% |
| Concessions | 0.1 | 0.2 | 0.1 | 0.2 | 0.3 |
| Commissions | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 |
| Other | 0.5 | 0.5 | 0.4 | 0.5 | 0.7 |
| Net Income (Loss) | 1.1% | 0.9 % | 1.1% | 1.2% | 1.8% |

*All amounts are medians and do not necessarily add to totals shown.

## Exhibit 20

*Analysis of Administrative and General Expenses*
*Ratios to Total Sales**

| | All Establishments | Size of Property | | | |
|---|---|---|---|---|---|
| | | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| Payroll & Related Expenses | 4.9% | 4.8% | 4.8% | 5.2% | 4.4% |
| Bad Debts | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 |
| Credit Card Commissions | 1.4 | 1.4 | 1.4 | 1.5 | 1.4 |
| Data Processing Services | 0.2 | 0.3 | 0.2 | 0.1 | 0.1 |
| Insurance (General) | 1.6 | 1.8 | 2.0 | 1.7 | 1.3 |
| Licenses & Dues | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Operating Supplies | 0.4 | 0.4 | 0.4 | 0.3 | 0.2 |
| Professional Fees | 0.3 | 0.4 | 0.2 | 0.3 | 0.2 |
| Security | 0.2 | 0.3 | 0.2 | 0.1 | N |
| Travel & Entertainment | 0.2 | 0.3 | 0.2 | 0.2 | 0.1 |
| All Other Expenses | 1.1 | 1.4 | 1.2 | 0.9 | 0.8 |
| Total | 10.4% | 10.1% | 10.8% | 11.0% | 9.1% |

*All amounts are medians and do not necessarily add to totals shown.
N—Negligible.

## Exhibit 21

*How the Marketing Dollar Was Allocated**

| | All Establishments | Location of Property | | | | |
|---|---|---|---|---|---|---|
| | | Center City | Suburban | Airport | Highway | Resort |
| Payroll & Related Expenses | 27.0% | 31.0% | 28.1% | 29.4% | 18.7% | 23.6% |
| Sales Expenses | 9.4 | 12.4 | 8.1 | 8.8 | 3.8 | 11.7 |
| Advertising Expenses | | | | | | |
| Print | 14.4 | 14.4 | 16.7 | 11.0 | 9.5 | 19.7 |
| Radio & TV | 7.0 | 7.6 | 6.3 | 10.1 | 6.5 | 5.0 |
| Outdoor | 4.6 | 2.0 | 4.9 | 4.2 | 9.7 | 3.5 |
| Other | 8.5 | 8.1 | 6.8 | 5.5 | 12.2 | 9.3 |
| Merchandising | 3.6 | 3.2 | 3.2 | 4.0 | 4.8 | 3.6 |
| Public Relations | 2.5 | 3.1 | 2.1 | 1.2 | 3.0 | 2.3 |
| Franchise Fees | 11.3 | 5.0 | 12.2 | 10.5 | 24.9 | 9.4 |
| All Other Expenses | 11.7 | 13.2 | 11.6 | 15.3 | 6.9 | 11.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

*All amounts are means.

Exhibit 22
*Management Fees*
*Amounts Per Room & Ratios to Total Sales*

| | All Establishments | Affiliation | | | |
|---|---|---|---|---|---|
| | | Chain Owned | Chain Managed | Chain Franchised | Independent |
| **Amount Per Room** | | | | | |
| Lower Quartile | $ 481 | $ 652 | $ 594 | $ 395 | $ 508 |
| Median | 775 | 894 | 940 | 578 | 705 |
| Upper Quartile | 1,159 | 1,195 | 1,324 | 829 | 1,243 |
| **Ratio to Total Sales** | | | | | |
| Lower Quartile | 2.8% | 2.9% | 2.7% | 2.5% | 1.9% |
| Median | 3.4 | 3.1 | 3.2 | 3.3 | 3.5 |
| Upper Quartile | 4.4 | 4.5 | 4.0 | 4.7 | 4.7 |

| Affiliation | | | |
|---|---|---|---|
| Chain Owned | Chain Managed | Chain Franchised | Independent |
| 29.3% | 28.5% | 20.1% | 24.5% |
| 10.1 | 15.1 | 4.6 | 9.7 |
| | | | |
| 15.4 | 14.6 | 8.7 | 28.0 |
| 11.5 | 2.6 | 4.3 | 4.9 |
| 4.4 | 3.2 | 7.4 | 2.7 |
| 7.0 | 10.6 | 6.6 | 9.1 |
| 3.2 | 3.1 | 5.3 | 2.8 |
| 1.4 | 2.2 | 2.0 | 6.4 |
| 2.8 | 6.9 | 30.8 | 2.3 |
| 14.9 | 13.2 | 10.2 | 9.6 |
| 100.0% | 100.0% | 100.0% | 100.0% |

Exhibit 23
*Energy, Property Operation and Maintenance Departments*
*Amounts Per Available Room**

| | Energy | | | | | | Property Operation & Maintenance | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fuel | Electricity | Water | Steam | Energy Credit | Total Energy | Payroll and Related | Other Expenses | Total |
| Median, All Establishments | $200 | $ 815 | $115 | $145 | $ 47 | $1,168 | $ 515 | $ 634 | $1,182 |
| **Region** | | | | | | | | | |
| Northeast | $287 | $ 955 | $105 | $432 | $107 | $1,419 | $ 628 | $ 800 | $1,377 |
| South | 224 | 775 | 97 | 268 | 87 | 1,154 | 483 | 597 | 1,065 |
| North Central | 154 | 802 | 156 | 69 | 19 | 1,184 | 509 | 680 | 1,216 |
| West | 216 | 761 | 105 | 118 | 22 | 1,047 | 580 | 630 | 1,173 |
| **Location** | | | | | | | | | |
| Center City | $213 | $ 869 | $115 | $329 | $ 58 | $1,254 | $ 668 | $ 683 | $1,343 |
| Suburban | 227 | 793 | 121 | 78 | 67 | 1,168 | 434 | 631 | 1,073 |
| Airport | 199 | 792 | 85 | ** | ** | 1,135 | 563 | 576 | 1,097 |
| Highway | 187 | 626 | 90 | ** | ** | 881 | 327 | 443 | 820 |
| Resort | 162 | 913 | 168 | ** | ** | 1,253 | 829 | 840 | 1,696 |
| **Size** | | | | | | | | | |
| Under 150 Rooms | $175 | $ 623 | $104 | ** | ** | $ 840 | $ 345 | $ 508 | $ 772 |
| 150-299 Rooms | 209 | 786 | 110 | $151 | $ 12 | 1,120 | 454 | 560 | 1,025 |
| 300-600 Rooms | 217 | 943 | 131 | 138 | 55 | 1,324 | 745 | 771 | 1,546 |
| Over 600 Rooms | 212 | 986 | 120 | 362 | 96 | 1,459 | 1,039 | 993 | 2,000 |
| **Average Room Rate** | | | | | | | | | |
| Under $40.00 | $114 | $ 560 | $ 87 | ** | ** | $ 737 | $ 254 | $ 378 | $ 6. |
| $40.00-$54.99 | 178 | 677 | 106 | $ 81 | ** | 1,035 | 421 | 498 | 927 |
| $55.00-$69.99 | 217 | 854 | 118 | 154 | $ 16 | 1,262 | 534 | 691 | 1,205 |
| $70.00-$84.99 | 233 | 894 | 145 | 162 | 90 | 1,348 | 849 | 789 | 1,722 |
| $85.00 and Over | 306 | 1,119 | 142 | 343 | 104 | 1,610 | 1,154 | 1,226 | 2,414 |

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 24

*Fixed Charges*

*Amounts Per Available Room and Ratio to Total Sales**

| | Amounts Per Available Room | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Rent | Property Taxes | Property Insurance | Interest | Amortization & Depreciation | Leased Equipment | Other | Total | Ratio to Total Sales |
| Median, All Establishments | $ 521 | $ 545 | $273 | $2,118 | $2,197 | $175 | $107 | $ 5,138 | 26.8% |
| **Region** | | | | | | | | | |
| Northeast | $ 510 | $ 591 | $458 | $1,476 | $2,293 | $181 | $232 | $ 4,836 | 20.1% |
| South | 542 | 513 | 330 | 1,918 | 1,922 | 101 | 90 | 5,378 | 29.8 |
| North Central | 374 | 501 | 218 | 2,771 | 2,250 | 225 | 117 | 5,206 | 31.7 |
| West | 697 | 544 | 294 | 2,158 | 2,266 | 133 | 83 | 5,038 | 27.3 |
| **Location** | | | | | | | | | |
| Center City | $ 474 | $ 790 | $258 | $3,260 | $2,700 | $217 | $232 | $ 6,272 | 25.9% |
| Suburban | 521 | 598 | 273 | 1,783 | 2,080 | 239 | 40 | 5,310 | 28.6 |
| Airport | 479 | 579 | 255 | 2,084 | 2,633 | 60 | 83 | 6,959 | 27.1 |
| Highway | 705 | 362 | 285 | 1,493 | 1,723 | 109 | 71 | 4,187 | 32.1 |
| Resort | 489 | 531 | 400 | 2,168 | 2,201 | 126 | 122 | 4,519 | 22.2 |
| **Size** | | | | | | | | | |
| Under 150 Rooms | $ 676 | $ 351 | $326 | $1,378 | $1,538 | $176 | $113 | $ 3,723 | 27.3% |
| 150-299 Rooms | 479 | 542 | 274 | 1,988 | 2,071 | 123 | 57 | 5,367 | 28.2 |
| 300-600 Rooms | 714 | 856 | 247 | 4,475 | 2,729 | 243 | 192 | 8,382 | 27.3 |
| Over 600 Rooms | 432 | 1,189 | 204 | 2,016 | 3,099 | ** | 154 | 6,913 | 21.3 |
| **Average Room Rate** | | | | | | | | | |
| Under $40.00 | $ 537 | $ 338 | $208 | $1,857 | $1,406 | $ 70 | $ 59 | $ 3,762 | 35.8% |
| $40.00-$54.99 | 446 | 438 | 273 | 1,347 | 1,920 | 176 | 80 | 4,386 | 28.2 |
| $55.00-$69.99 | 625 | 734 | 339 | 3,415 | 2,325 | 198 | 112 | 5,962 | 26.3 |
| $70.00-$84.99 | 339 | 759 | 452 | 4,648 | 3,182 | 89 | 194 | 7,990 | 25.6 |
| $85.00 and Over | 1,835 | 1,395 | 382 | 5,310 | 3,735 | 249 | 176 | 10,091 | 18.5 |
| **Affiliation** | | | | | | | | | |
| Chain/Owned | $ 385 | $ 626 | $194 | $1,976 | $2,238 | $ 84 | $ 86 | $ 4,797 | 24.4% |
| Chain/Managed | 503 | 956 | 206 | 4,693 | 2,952 | 282 | 195 | 7,532 | 27.3 |
| Chain/Franchised | 924 | 403 | 324 | 1,537 | 1,880 | 203 | 70 | 5,042 | 29.4 |
| Independent | 349 | 544 | 515 | 2,168 | 2,328 | 175 | 175 | 4,939 | 27.2 |
| **Occupancy** | | | | | | | | | |
| Under 50% | $ 759 | $ 394 | $215 | $1,493 | $2,031 | $204 | $ 59 | $ 3,788 | 29.9% |
| 50-59.9% | 682 | 538 | 263 | 2,712 | 2,086 | 171 | 175 | 5,478 | 33.5 |
| 60-69.9% | 272 | 583 | 276 | 2,340 | 2,437 | 183 | 215 | 5,370 | 26.2 |
| 70-79.9% | 860 | 687 | 285 | 2,027 | 2,260 | 178 | 56 | 5,620 | 25.6 |
| 80% and Over | 947 | 525 | 444 | 1,730 | 2,198 | 114 | 77 | 5,150 | 22.5 |

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

## Exhibit 25

*Amounts Per Available Room**

| | All Establishments | Affiliation | | | |
|---|---|---|---|---|---|
| | | Chain Owned | Chain Managed | Chain Franchised | Independent |
| Annual Occupancy | 64.9% | 67.2% | 64.9% | 63.5% | 64.9% |
| Annual Room Rate | $ 56.29 | $ 61.33 | $ 67.70 | $ 47.01 | $ 54.71 |
| **Revenues** | | | | | |
| Rooms | $12,933 | $14,862 | $16,286 | $10,974 | $11,849 |
| Food | 5,928 | 6,826 | 7,417 | 3,780 | 6,297 |
| Beverage | 2,248 | 2,555 | 2,629 | 1,891 | 2,205 |
| Other Food & Beverage | 309 | 404 | 353 | 236 | 282 |
| Telephone | 499 | 630 | 667 | 369 | 416 |
| Minor-Operated | 303 | 294 | 362 | 168 | 601 |
| Rentals & Other Income | 269 | 198 | 301 | 259 | 352 |
| Total | $21,739 | $25,269 | $27,933 | $17,353 | $20,867 |
| **Department Expenses** | | | | | |
| Rooms | $ 3,435 | $ 4,034 | $ 4,320 | $ 2,693 | $ 3,738 |
| Food & Beverage | 7,037 | 7,758 | 8,656 | 4,594 | 7,833 |
| Telephone | 490 | 618 | 621 | 368 | 475 |
| Minor-Operated | 301 | 240 | 325 | 145 | 604 |
| Total | $10,432 | $12,312 | $13,925 | $ 7,283 | $ 9,929 |
| **Department Profit** | | | | | |
| Rooms | $ 9,624 | $10,738 | $11,540 | $ 8,164 | $ 3,992 |
| Food & Beverage | 1,174 | 1,336 | 1,583 | 1,129 | 930 |
| Telephone | 12 | 11 | 40 | 14 | (43) |
| Minor-Operated | 40 | 29 | 26 | 31 | 97 |
| Rentals & Other Income | 269 | 198 | 301 | 259 | 352 |
| Total | $11,537 | $12,702 | $13,730 | $ 9,843 | $11,003 |
| **Undistributed Operating Expenses** | | | | | |
| **Administrative & General** | | | | | |
| Payroll & Related | $ 1,126 | $ 1,300 | $ 1,514 | $ 745 | $ 1,191 |
| Other | 1,314 | 1,404 | 1,484 | 1,016 | 1,497 |
| Total | $ 2,354 | $ 2,688 | $ 3,006 | $ 1,719 | $ 2,497 |
| **Marketing** | | | | | |
| Payroll & Related | $ 494 | $ 496 | $ 647 | $ 304 | $ 547 |
| Other | 1,038 | 961 | 1,424 | 911 | 966 |
| Total | $ 1,461 | $ 1,435 | $ 2,009 | $ 1,180 | $ 1,283 |
| **Energy Costs** | $ 1,168 | $ 1,215 | $ 1,316 | $ 1,004 | $ 1,140 |
| **Property Operations & Maintenance** | $ 1,182 | $ 1,315 | $ 1,425 | $ 905 | $ 1,202 |
| **Total Undistributed Operating Expenses** | $ 6,158 | $ 6,588 | $ 7,933 | $ 5,051 | $ 6,302 |
| Income Before Management Fees | 5,373 | 5,652 | 6,179 | 4,902 | 4,899 |
| Management Fees (Base & Incentive) | 775 | 894 | 940 | 578 | 705 |
| Income Before Fixed Charges | $ 4,591 | $ 5,197 | $ 4,675 | $ 4,516 | $ 4,824 |
| **Fixed Charges** | $ 5,138 | $ 4,797 | $ 7,532 | $ 5,042 | $ 4,939 |
| Income Before Income Taxes | $ (569) | $ 199 | $ (2,433) | $ (328) | $ (597) |
| **Reserve for Capital Replacement** | $ 571 | $ 585 | $ 535 | $ 508 | $ 1,064 |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response.

| Location of Property | | | | |
|---|---|---|---|---|
| Center City | Suburban | Airport | Highway | Resort |
| 83.9% | 64.9% | 69.9% | 61.5% | 67.6% |
| $ 67.05 | $ 56.36 | $ 57.14 | $ 41.96 | $ 56.81 |
| | | | | |
| $14,795 | $12,659 | $14,669 | $ 9,158 | $14,493 |
| 6,776 | 5,471 | 4,862 | 3,630 | 6,672 |
| 2,445 | 2,488 | 1,940 | 1,893 | 2,120 |
| 351 | 368 | 437 | 206 | 201 |
| 647 | 495 | 603 | 334 | 439 |
| 362 | 256 | 161 | 217 | 1,265 |
| 295 | 249 | 237 | 127 | 410 |
| $25,405 | $20,557 | $22,069 | $14,262 | $23,418 |
| | | | | |
| $ 4,211 | $ 3,365 | $ 4,192 | $ 2,321 | $ 3,611 |
| 8,253 | 6,896 | 6,567 | 4,650 | 7,484 |
| 631 | 443 | 574 | 345 | 480 |
| 301 | 217 | 203 | 141 | 901 |
| $12,877 | $10,013 | $11,350 | $ 6,239 | $10,960 |
| | | | | |
| $10,885 | $ 9,385 | $10,144 | $ 7,127 | $11,163 |
| 1,117 | 1,490 | 1,292 | 1,165 | 942 |
| 32 | 7 | 48 | (26) | 49 |
| 40 | 24 | 12 | 80 | 123 |
| 295 | 249 | 237 | 127 | 410 |
| $12,878 | $11,700 | $11,644 | $ 8,436 | $14,014 |
| | | | | |
| | | | | |
| $ 1,402 | $ 836 | $ 1,221 | $ 668 | $ 1,384 |
| 1,460 | 1,331 | 1,272 | 849 | 1,426 |
| $ 2,894 | $ 2,186 | $ 2,336 | $ 1,429 | $ 2,638 |
| | | | | |
| $ 583 | $ 419 | $ 515 | $ 249 | $ 454 |
| 1,228 | 902 | 1,153 | 752 | 1,159 |
| $ 1,754 | $ 1,363 | $ 1,625 | $ 860 | $ 1,559 |
| $ 1,254 | $ 1,168 | $ 1,135 | $ 881 | $ 1,253 |
| $ 1,343 | $ 1,073 | $ 1,097 | $ 820 | $ 1,696 |
| $ 7,226 | $ 5,959 | $ 6,413 | $ 4,048 | $ 7,355 |
| 5,773 | 5,412 | 5,735 | 3,993 | 5,916 |
| 863 | 776 | 829 | 488 | 1,029 |
| $ 4,673 | $ 5,168 | $ 4,439 | $ 3,513 | $ 5,709 |
| $ 6,272 | $ 5,310 | $ 6,959 | $ 4,187 | $ 4,519 |
| $ (1,119) | $ (548) | $ (1,981) | $ (723) | $ 412 |
| $ 799 | $ 1,283 | -- | $ 350 | $ 556 |

## Exhibit 26
*Ratio to Total Sales**

| | All Establishments | Affiliation | | | |
|---|---|---|---|---|---|
| | | Chain Owned | Chain Managed | Chain Franchised | Independent |
| Annual Occupancy | 64.9% | 67.2% | 64.9% | 63.5% | 64.9% |
| Annual Room Rate | $56.29 | $61.33 | $67.70 | $47.01 | $54.71 |
| **Revenues** | | | | | |
| Rooms | 61.1% | 60.0% | 57.8% | 63.4% | 61.6% |
| Food | 24.4 | 24.9 | 27.4 | 21.3 | 25.3 |
| Beverage | 9.1 | 9.1 | 9.0 | 9.8 | 8.2 |
| Other Food & Beverage | 1.4 | 1.5 | 1.3 | 1.3 | 1.1 |
| Telephone | 2.3 | 2.5 | 2.3 | 2.3 | 2.2 |
| Minor-Operated | 1.3 | 1.2 | 1.1 | 0.9 | 2.4 |
| Rentals & Other Income | 1.1 | 0.9 | 1.2 | 1.4 | 1.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Department Expenses** | | | | | |
| Rooms | 16.5% | 16.0% | 16.0% | 15.7% | 16.7% |
| Food & Beverage | 29.2 | 28.8 | 31.5 | 26.1 | 32.0 |
| Telephone | 2.3 | 2.5 | 2.2 | 2.2 | 2.2 |
| Minor-Operated | 1.1 | 1.0 | 1.1 | 0.7 | 2.0 |
| Total | 46.9% | 47.8% | 49.8% | 41.7% | 48.7% |
| **Department Profit** | | | | | |
| Rooms | 44.0% | 43.0% | 41.5% | 48.0% | 44.6% |
| Food & Beverage | 5.4 | 6.5 | 5.5 | 6.1 | 3.4 |
| Telephone | 0.1 | N | 0.1 | 0.1 | (0.2) |
| Minor-Operated | 0.1 | 0.1 | N | 0.3 | 0.5 |
| Rentals & Other Income | 1.1 | 0.9 | 1.2 | 1.4 | 1.6 |
| Total | 53.1% | 52.2% | 50.2% | 58.4% | 51.3% |
| **Undistributed Operating Expenses** | | | | | |
| **Administrative & General** | | | | | |
| Payroll & Related | 4.9% | 4.9% | 5.3% | 4.3% | 5.5% |
| Other | 5.6 | 5.2 | 5.4 | 5.8 | 6.4 |
| Total | 10.4% | 10.1% | 10.8% | 9.8% | 11.8% |
| **Marketing** | | | | | |
| Payroll & Related | 2.1% | 2.0% | 2.3% | 1.6% | 2.0% |
| Other | 4.7 | 4.0 | 5.0 | 5.4 | 3.9 |
| Total | 6.6% | 6.1% | 7.2% | 6.8% | 5.7% |
| **Energy Costs** | 5.3% | 4.9% | 4.7% | 5.7% | 5.6% |
| **Property Operations & Maintenance** | 5.4% | 5.6% | 5.4% | 5.0% | 5.5% |
| **Total Undistributed Operating Expenses** | 27.5% | 26.4% | 27.2% | 29.2% | 29.2% |
| Income Before Management Fees | 25.4 | 25.2 | 22.9 | 30.6 | 23.0 |
| Management Fees (Base & Incentive) | 3.4 | 3.1 | 3.2 | 3.3 | 3.5 |
| Income Before Fixed Charges | 22.7% | 23.0% | 17.5% | 28.8% | 22.1% |
| **Fixed Charges** | 26.8% | 24.4% | 27.3% | 29.4% | 27.2% |
| Income Before Income Taxes | (3.6)% | 0.8% | (9.5)% | (1.6)% | (3.1)% |
| **Reserve for Capital Replacement** | 2.0% | 1.9% | 1.5% | 2.0% | 2.7% |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response. N—Negligible.

| Location of Property | | | | |
|---|---|---|---|---|
| Center City | Suburban | Airport | Highway | Resort |
| 63.9% | 64.9% | 69.9% | 61.5% | 67.6% |
| $67.05 | $56.36 | $57.14 | $41.96 | $56.81 |
| | | | | |
| 58.9% | 59.8% | 62.6% | 63.3% | 64.1% |
| 26.0 | 25.1 | 22.5 | 23.0 | 21.1 |
| 9.0 | 9.8 | 8.3 | 10.7 | 7.3 |
| 1.4 | 1.7 | 1.7 | 1.4 | 0.7 |
| 2.5 | 2.2 | 2.7 | 2.2 | 1.9 |
| 1.2 | 1.1 | 0.5 | 1.0 | 5.0 |
| 1.1 | 1.1 | 1.2 | 0.8 | 1.7 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| 17.5% | 16.0% | 17.6% | 15.1% | 14.4% |
| 31.3 | 29.3 | 27.3 | 28.4 | 23.7 |
| 2.5 | 2.1 | 2.4 | 2.3 | 1.9 |
| 1.2 | 0.9 | 0.9 | 0.7 | 3.1 |
| 50.1% | 45.5% | 47.5% | 42.1% | 44.0% |
| | | | | |
| 42.2% | 44.1% | 43.7% | 48.8% | 47.4% |
| 4.6 | 6.5 | 6.5 | 7.0 | 4.0 |
| 0.1 | N | 0.3 | (0.2) | 0.2 |
| 0.1 | 0.1 | 0.1 | 0.5 | 0.5 |
| 1.1 | 1.1 | 1.2 | 0.8 | 1.7 |
| 49.9% | 54.5% | 52.5% | 57.9% | 56.0% |
| | | | | |
| | | | | |
| 5.2% | 4.6% | 5.1% | 4.5% | 4.9% |
| 5.7 | 5.5 | 5.0 | 5.6 | 5.5 |
| 11.1% | 10.0% | 10.1% | 9.4% | 9.9% |
| | | | | |
| 2.3% | 2.1% | 2.2% | 1.8% | 1.7% |
| 4.6 | 4.6 | 4.9 | 4.6 | 4.8 |
| 6.9% | 6.5% | 7.1% | 5.9% | 6.4% |
| 5.1% | 5.4% | 4.5% | 5.8% | 4.9% |
| 5.6% | 4.9% | 5.1% | 5.1% | 6.1% |
| 28.5% | 27.1% | 27.2% | 27.2% | 28.9% |
| 22.1 | 26.3 | 22.6 | 29.3 | 27.6 |
| 3.3 | 3.5 | 3.0 | 3.4 | 3.3 |
| 18.1% | 25.0% | 20.2% | 26.9% | 25.2% |
| 25.9% | 28.6% | 27.1% | 32.1% | 22.2% |
| (6.0)% | (4.6)% | (5.9)% | (4.5)% | 2.5% |
| 1.9% | 4.5% | ** | 2.0% | 2.0% |

## Exhibit 27

*Amounts Per Available Room**

| | Occupancy | | | | |
|---|---|---|---|---|---|
| | Under 50% | 50-59.9% | 60-69.9% | 70-79.9% | 80% and Over |
| Annual Occupancy | 43.0% | 55.7% | 65.4% | 74.3% | 85.5% |
| Annual Room Rate | $ 49.17 | $ 53.94 | $ 58.49 | $ 63.32 | $ 52.21 |
| **Revenues** | | | | | |
| Rooms | $ 7,712 | $10,920 | $13,684 | $17,324 | $16,783 |
| Food | 4,351 | 5,188 | 6,418 | 6,984 | 7,002 |
| Beverage | 1,618 | 1,908 | 2,460 | 2,789 | 2,757 |
| Other Food & Beverage | 187 | 273 | 405 | 459 | 316 |
| Telephone | 295 | 450 | 539 | 620 | 593 |
| Minor-Operated | 329 | 257 | 220 | 304 | 765 |
| Rentals & Other Income | 184 | 291 | 252 | 286 | 476 |
| Total | $13,770 | $18,791 | $23,136 | $26,054 | $25,443 |
| **Department Expenses** | | | | | |
| Rooms | $ 2,431 | $ 3,010 | $ 3,625 | $ 4,338 | $ 5,014 |
| Food & Beverage | 5,499 | 6,639 | 7,333 | 7,956 | 8,302 |
| Telephone | 377 | 444 | 529 | 611 | 492 |
| Minor-Operated | 306 | 310 | 242 | 363 | 476 |
| Total | $ 7,644 | $ 9,111 | $11,721 | $12,151 | $ 9,911 |
| **Department Profit** | | | | | |
| Rooms | $ 5,191 | $ 8,006 | $10,368 | $12,631 | $13,413 |
| Food & Beverage | 697 | 1,118 | 1,570 | 1,387 | 1,154 |
| Telephone | (50) | 23 | 46 | 43 | 55 |
| Minor-Operated | 33 | 56 | 19 | 70 | 125 |
| Rentals & Other Income | 184 | 291 | 252 | 286 | 476 |
| Total | $ 6,115 | $10,146 | $12,659 | $14,746 | $16,294 |
| **Undistributed Operating Expenses** | | | | | |
| **Administrative & General** | | | | | |
| Payroll & Related | $ 865 | $ 996 | $ 1,168 | $ 1,256 | $ 1,253 |
| Other | 988 | 1,108 | 1,404 | 1,455 | 1,595 |
| Total | $ 1,847 | $ 2,201 | $ 2,565 | $ 2,613 | $ 2,627 |
| **Marketing** | | | | | |
| Payroll & Related | $ 471 | $ 471 | $ 539 | $ 501 | $ 393 |
| Other | 766 | 964 | 1,101 | 1,168 | 1,155 |
| Total | $ 1,010 | $ 1,393 | $ 1,600 | $ 1,652 | $ 1,426 |
| **Energy Costs** | $ 1,073 | $ 1,157 | $ 1,204 | $ 1,250 | $ 1,003 |
| **Property Operations & Maintenance** | $ 949 | $ 1,054 | $ 1,172 | $ 1,410 | $ 920 |
| **Total Undistributed Operating Expenses** | $ 5,067 | $ 5,518 | $ 6,574 | $ 7,036 | $ 5,834 |
| Income Before Management Fees | 1,441 | 4,168 | 5,914 | 7,623 | 10,402 |
| Management Fees (Base & Incentive) | 393 | 738 | 824 | 941 | 1,125 |
| Income Before Fixed Charges | $ 1,246 | $ 3,627 | $ 4,994 | $ 6,448 | $ 9,305 |
| **Fixed Charges** | $ 3,788 | $ 5,478 | $ 5,370 | $ 5,620 | $ 5,150 |
| Income Before Income Taxes | $ (3,365) | $ (2,036) | $ (83) | $ 463 | $ 2,900 |
| **Reserve for Capital Replacement** | ** | $ 388 | $ 799 | $ 538 | ** |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response.

| Average Room Rate | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | $85.00 and Over |
| 64.0% | 62.8% | 65.0% | 69.6% | 67.0% |
| $ 34.45 | $ 46.38 | $ 62.51 | $ 76.39 | $ 98.88 |
| | | | | |
| $ 7,660 | $10,590 | $14,722 | $19,570 | $23,980 |
| 3,269 | 3,510 | 6,328 | 7,247 | 10,726 |
| 1,006 | 1,528 | 2,394 | 2,583 | 4,005 |
| 190 | 177 | 453 | 535 | 603 |
| 234 | 361 | 587 | 779 | 880 |
| 204 | 240 | 217 | 400 | 566 |
| 200 | 178 | 201 | 431 | 563 |
| $10,224 | $16,083 | $23,582 | $30,380 | $41,410 |
| | | | | |
| $ 2,042 | $ 2,586 | $ 3,705 | $ 4,987 | $ 6,385 |
| 3,685 | 4,330 | 7,368 | 8,880 | 12,827 |
| 274 | 368 | 521 | 672 | 786 |
| 116 | 242 | 240 | 398 | 502 |
| $ 4,203 | $ 7,175 | $11,659 | $14,562 | $20,434 |
| | | | | |
| $ 5,416 | $ 7,833 | $10,398 | $14,166 | $18,062 |
| 649 | 853 | 1,506 | 1,805 | 2,159 |
| (45) | (16) | 40 | 89 | 97 |
| 60 | 35 | (9) | 50 | 92 |
| 200 | 178 | 201 | 431 | 563 |
| $ 6,243 | $ 9,132 | $12,741 | $16,299 | $21,177 |
| | | | | |
| | | | | |
| $ 540 | $ 760 | $ 1,241 | $ 1,478 | $ 2,045 |
| 553 | 985 | 1,403 | 1,634 | 2,149 |
| $ 1,153 | $ 1,781 | $ 2,524 | $ 3,258 | $ 4,462 |
| | | | | |
| $ 213 | $ 308 | $ 533 | $ 598 | $ 839 |
| 534 | 833 | 1,129 | 1,400 | 1,973 |
| $ 700 | $ 1,057 | $ 1,592 | $ 1,998 | $ 2,856 |
| $ 737 | $ 1,035 | $ 1,262 | $ 1,348 | $ 1,610 |
| $ 671 | $ 927 | $ 1,205 | $ 1,722 | $ 2,414 |
| $ 3,237 | $ 4,905 | $ 6,622 | $ 7,933 | $11,067 |
| 3,179 | 4,078 | 5,824 | 8,129 | 10,708 |
| 433 | 542 | 809 | 1,046 | 1,319 |
| $ 3,077 | $ 3,772 | $ 4,918 | $ 6,724 | $ 9,338 |
| $ 3,762 | $ 4,386 | $ 5,962 | $ 7,9[illegible] | $10,091 |
| $ (533) | $ (789) | $ (521) | $ (689) | $ 1,302 |
| ** | $ 333 | $ 536 | ** | $ 1,117 |

## Exhibit 28

*Ratios to Total Sales**

| | Occupancy | | | | |
|---|---|---|---|---|---|
| | Under 50% | 50-59.9% | 60-69.9% | 70-79.9% | 80% and Over |
| Annual Occupancy | 43.0% | 55.7% | 65.4% | 74.3% | 85.5% |
| Annual Room Rate | $49.17 | $53.94 | $58.49 | $63.32 | $52.21 |
| **Revenues** | | | | | |
| Rooms | 57.2% | 59.1% | 60.5% | 65.5% | 73.3% |
| Food | 26.4 | 25.1 | 24.4 | 22.2 | 16.7 |
| Beverage | 9.5 | 9.0 | 9.6 | 8.7 | 6.9 |
| Other Food & Beverage | 1.2 | 1.3 | 1.5 | 1.5 | 1.1 |
| Telephone | 2.3 | 2.3 | 2.3 | 2.4 | 2.5 |
| Minor-Operated | 1.9 | 1.5 | 0.8 | 1.1 | 2.7 |
| Rentals & Other Income | 1.1 | 1.3 | 1.0 | 1.2 | 1.2 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Department Expenses** | | | | | |
| Rooms | 17.2% | 16.2% | 15.1% | 16.9% | 17.1% |
| Food & Beverage | 33.4 | 29.1 | 28.7 | 26.4 | 20.9 |
| Telephone | 2.7 | 2.3 | 2.2 | 2.2 | 1.9 |
| Minor-Operated | 1.5 | 1.4 | 0.9 | 1.1 | 1.3 |
| Total | 55.5% | 46.8% | 46.3% | 43.9% | 39.1% |
| **Department Profit** | | | | | |
| Rooms | 39.0% | 42.9% | 45.1% | 48.4% | 52.9% |
| Food & Beverage | 4.1 | 6.2 | 6.7 | 4.7 | 4.3 |
| Telephone | (0.4) | 0.1 | 0.2 | 0.1 | 0.2 |
| Minor-Operated | 0.2 | 0.3 | 0.1 | 0.2 | 0.5 |
| Rentals & Other Income | 1.1 | 1.3 | 1.0 | 1.2 | 1.2 |
| Total | 44.5% | 53.2% | 53.7% | 56.1% | 60.9% |
| **Undistributed Operating Expenses** | | | | | |
| **Administrative & General** | | | | | |
| Payroll & Related | 6.7% | 5.5% | 4.7% | 4.4% | 3.9% |
| Other | 7.1 | 6.1 | 5.6 | 4.9 | 4.7 |
| Total | 13.6% | 11.7% | 10.2% | 9.1% | 8.9% |
| **Marketing** | | | | | |
| Payroll & Related | 2.7% | 2.2% | 2.0% | 1.7% | 1.1% |
| Other | 5.4 | 5.1 | 4.6 | 4.3 | 4.0 |
| Total | 7.7% | 6.8% | 6.7% | 5.8% | 5.1% |
| **Energy Costs** | 6.9% | 5.7% | 4.9% | 4.6% | 3.8% |
| **Property Operations & Maintenance** | 6.8% | 5.5% | 5.1% | 5.2% | 4.4% |
| **Total Undistributed Operating Expenses** | 35.6% | 30.6% | 27.1% | 25.6% | 23.2% |
| Income Before Management Fees | 11.0 | 23.7 | 26.9 | 29.9 | 37.6 |
| Management Fees (Base & Incentive) | 2.9 | 3.4 | 3.2 | 3.1 | 3.9 |
| Income Before Fixed Charges | 9.9% | 19.5% | 24.6% | 27.4% | 34.4% |
| **Fixed Charges** | 23.9% | 33.5% | 26.2% | 25.6% | 22.5% |
| Income Before Income Taxes | (24.1)% | (12.5)% | (0.5)% | 1.5% | 14.0% |
| **Reserve for Capital Replacement** | ** | 1.9% | 3.0% | 2.0% | ** |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response. N—Negligible.

| Average Room Rate | | | | |
|---|---|---|---|---|
| Under $40.00 | $40.00-$54.99 | $55.00-$69.99 | $70.00-$84.99 | $85.00 and Over |
| 64.0% | 62.8% | 65.0% | 69.6% | 67.0% |
| $34.45 | $46.38 | $62.51 | $76.39 | $98.88 |
| | | | | |
| 72.5% | 64.6% | 59.1% | 58.5% | 58.2% |
| 25.1 | 21.3 | 24.9 | 24.4 | 25.5 |
| 7.0 | 8.5 | 9.7 | 8.8 | 9.2 |
| 1.4 | 1.1 | 1.7 | 1.6 | 1.4 |
| 2.1 | 2.3 | 2.4 | 2.5 | 2.2 |
| 1.3 | 1.5 | 1.0 | 1.3 | 1.4 |
| 1.4 | 1.0 | 0.9 | 1.3 | 1.3 |
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | |
| 19.2% | 16.5% | 15.7% | 15.9% | 15.7% |
| 28.7 | 26.4 | 29.2 | 29.3 | 29.8 |
| 2.7 | 2.4 | 2.3 | 2.2 | 2.0 |
| 1.1 | 1.4 | 1.0 | 1.4 | 1.3 |
| 38.0% | 45.2% | 47.8% | 47.5% | 48.6% |
| | | | | |
| 51.1% | 47.6% | 43.0% | 42.6% | 43.0% |
| 4.5 | 5.0 | 6.3 | 6.0 | 5.8 |
| (0.4) | (0.1) | 0.2 | 0.3 | 0.2 |
| 0.6 | 0.3 | N | 0.2 | 0.2 |
| 1.4 | 1.0 | 0.9 | 1.3 | 1.3 |
| 62.1% | 54.8% | 52.2% | 52.5% | 51.4% |
| | | | | |
| | | | | |
| 4.8% | 4.8% | 5.1% | 4.8% | 4.9% |
| 5.2 | 6.0 | 5.7 | 5.2 | 5.2 |
| 9.9% | 10.9% | 11.2% | 10.1% | 10.2% |
| | | | | |
| 1.9% | 1.9% | 2.3% | 2.0% | 1.8% |
| 4.5 | 5.1 | 4.8 | 4.5 | 4.6 |
| 6.1% | 6.5% | 6.6% | 6.6% | 6.4% |
| 6.7% | 6.0% | 5.3% | 4.3% | 3.9% |
| 5.5% | 5.5% | 5.2% | 5.5% | 5.4% |
| 29.4% | 29.1% | 27.8% | 26.6% | 25.4% |
| 29.0 | 25.9 | 24.9 | 27.6 | 25.0 |
| 4.2 | 3.3 | 3.3 | 3.0 | 3.0 |
| 27.4% | 23.9% | 21.1% | 23.8% | 21.8% |
| 35.8% | 28.2% | 26.3% | 25.6% | 18.5% |
| (5.4)% | (4.6)% | (2.7)% | (1.6)% | 2.8% |
| ** | 2.0% | 2.4% | ** | 1.9% |

## Exhibit 29

*Amounts Per Available Room**

| | Region | | | |
|---|---|---|---|---|
| | Northeast | South | North Central | West |
| Annual Occupancy | 68.0% | 62.8% | 63.0% | 67.5% |
| Annual Room Rate | $ 63.43 | $ 51.56 | $ 54.88 | $ 57.81 |
| **Revenues** | | | | |
| Rooms | $15,912 | $11,721 | $12,325 | $14,105 |
| Food | 6,328 | 5,242 | 5,436 | 6,365 |
| Beverage | 3,043 | 2,205 | 2,109 | 2,102 |
| Other Food & Beverage | 520 | 278 | 237 | 322 |
| Telephone | 582 | 432 | 470 | 567 |
| Minor-Operated | 250 | 252 | 310 | 356 |
| Rentals & Other Income | 269 | 226 | 272 | 294 |
| Total | $25,870 | $21,070 | $19,051 | $22,339 |
| **Department Expenses** | | | | |
| Rooms | $ 3,939 | $ 3,127 | $ 3,298 | $ 4,061 |
| Food & Beverage | 7,652 | 6,682 | 6,453 | 7,523 |
| Telephone | 495 | 428 | 468 | 566 |
| Minor-Operated | 373 | 301 | 269 | 302 |
| Total | $11,327 | $10,109 | $ 8,308 | $11,535 |
| **Department Profit** | | | | |
| Rooms | $11,899 | $ 8,839 | $ 9,346 | $ 9,728 |
| Food & Beverage | 1,744 | 1,676 | 942 | 891 |
| Telephone | 43 | (13) | 21 | 6 |
| Minor-Operated | 57 | 40 | 32 | 45 |
| Rentals & Other Income | 269 | 226 | 272 | 294 |
| Total | $14,454 | $11,032 | $10,629 | $11,712 |
| **Undistributed Operating Expenses** | | | | |
| **Administrative & General** | | | | |
| Payroll & Related | $ 1,119 | $ 915 | $ 1,091 | $ 1,247 |
| Other | 1,451 | 1,104 | 1,326 | 1,373 |
| Total | $ 2,638 | $ 2,134 | $ 2,365 | $ 2,497 |
| **Marketing** | | | | |
| Payroll & Related | $ 467 | $ 437 | $ 533 | $ 523 |
| Other | 1,222 | 997 | 1,034 | 1,051 |
| Total | $ 1,652 | $ 1,323 | $ 1,504 | $ 1,455 |
| **Energy Costs** | $ 1,419 | $ 1,154 | $ 1,184 | $ 1,047 |
| **Property Operations & Maintenance** | $ 1,377 | $ 1,065 | $ 1,216 | $ 1,173 |
| **Total Undistributed Operating Expenses** | $ 7,278 | $ 5,675 | $ 6,280 | $ 6,413 |
| Income Before Management Fees | 6,719 | 5,657 | 4,443 | 5,059 |
| Management Fees (Base & Incentive) | 1,072 | 729 | 741 | 802 |
| Income Before Fixed Charges | $ 5,819 | $ 4,670 | $ 3,910 | $ 4,428 |
| **Fixed Charges** | $ 4,836 | $ 5,378 | $ 5,206 | $ 5,038 |
| Income Before Income Taxes | $ 550 | $ (461) | $ (1,826) | $ (811) |
| **Reserve for Capital Replacement** | $ 998 | $ 387 | $ 500 | $ 1,049 |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response.
***Readers should be cautioned that these figures are not directly comparable to those in previous reports.

| Restaurant Operated Total Food & Beverage Sales as a Ratio to Total Sales*** | | | |
|---|---|---|---|
| 0-25.0 | 25.1-35.0 | 35.1-45.0 | 45.1 & Over |
| 69.6% | 63.2% | 63.1% | 58.2% |
| $ 52.20 | $ 61.15 | $ 64.14 | $ 53.69 |
| | | | |
| $13,346 | $14,216 | $14,208 | $10,980 |
| 2,660 | 4,882 | 7,391 | 9,292 |
| 939 | 1,948 | 3,028 | 3,350 |
| 191 | 309 | 422 | 432 |
| 495 | 551 | 583 | 459 |
| 388 | 257 | 385 | 318 |
| 312 | 264 | 272 | 320 |
| $18,576 | $22,975 | $26,090 | $24,366 |
| | | | |
| $ 3,364 | $ 3,581 | $ 3,954 | $ 3,404 |
| 3,401 | 6,151 | 8,870 | 10,560 |
| 460 | 512 | 571 | 467 |
| 266 | 225 | 374 | 370 |
| $ 7,104 | $10,578 | $13,951 | $14,798 |
| | | | |
| $ 9,787 | $10,344 | $10,093 | $ 7,942 |
| 375 | 1,149 | 1,880 | 2,763 |
| 54 | (7) | 30 | (31) |
| 60 | 23 | 39 | 42 |
| 312 | 264 | 272 | 320 |
| $11,232 | $11,791 | $12,714 | $11,260 |
| | | | |
| | | | |
| $ 870 | $ 1,153 | $ 1,486 | $ 1,306 |
| 1,131 | 1,272 | 1,499 | 1,536 |
| $ 1,930 | $ 2,367 | $ 3,097 | $ 2,871 |
| | | | |
| $ 363 | $ 503 | $ 572 | $ 612 |
| 1,002 | 1,039 | 1,274 | 1,136 |
| $ 1,226 | $ 1,510 | $ 1,744 | $ 1,719 |
| $ 1,010 | $ 1,214 | $ 1,343 | $ 1,338 |
| $ 989 | $ 1,244 | $ 1,385 | $ 1,260 |
| $ 5,391 | $ 6,266 | $ 7,472 | $ 7,054 |
| 5,836 | 5,192 | 5,445 | 3,700 |
| 581 | 791 | 905 | 1,011 |
| $ 5,621 | $ 4,769 | $ 4,169 | $ 2,819 |
| $ 5,105 | $ 5,373 | $ 5,495 | $ 4,851 |
| $ 155 | $ (593) | $ (1,266) | $ (2,210) |
| ** | $ 664 | $ 455 | ** |

*Otis introduces electronic doors in its elevators in 1950, preventing hotel guests from getting squashed.*

## Exhibit 30

*Ratio to Total Sales**

| | Region | | | |
|---|---|---|---|---|
| | Northeast | South | North Central | West |
| Annual Occupancy | 68.0% | 62.8% | 63.0% | 67.5% |
| Annual Room Rate | $ 63.43 | $ 51.56 | $ 54.88 | $ 57.81 |
| **Revenues** | | | | |
| Rooms | 59.6% | 58.8% | 61.2% | 63.1% |
| Food | 24.5 | 25.9 | 24.2 | 24.0 |
| Beverage | 10.0 | 9.6 | 9.1 | 7.6 |
| Other Food & Beverage | 1.7 | 1.3 | 1.3 | 1.4 |
| Telephone | 2.1 | 2.2 | 2.4 | 2.5 |
| Minor-Operated | 1.0 | 1.1 | 1.6 | 1.6 |
| Rentals & Other Income | 1.0 | 1.1 | 1.1 | 1.2 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| **Department Expenses** | | | | |
| Rooms | 15.0% | 14.2% | 16.9% | 17.7% |
| Food & Beverage | 28.5 | 30.4 | 29.6 | 28.8 |
| Telephone | 1.9 | 2.2 | 2.5 | 2.4 |
| Minor-Operated | 0.9 | 1.2 | 1.2 | 1.2 |
| Total | 45.6% | 46.0% | 47.3% | 48.1% |
| **Department Profit** | | | | |
| Rooms | 43.7% | 43.3% | 44.5% | 44.2% |
| Food & Beverage | 6.3 | 7.3 | 4.4 | 4.2 |
| Telephone | 0.1 | N | 0.1 | N |
| Minor-Operated | 0.1 | 0.1 | 0.2 | 0.2 |
| Rentals & Other Income | 1.0 | 1.1 | 1.1 | 1.2 |
| Total | 54.4% | 54.0% | 52.7% | 52.1% |
| **Undistributed Operating Expenses** | | | | |
| **Administrative & General** | | | | |
| Payroll & Related | 4.2% | 4.5% | 5.4% | 5.2% |
| Other | 5.1 | 5.5 | 6.1 | 5.5 |
| Total | 9.1% | 9.7% | 11.8% | 10.9% |
| **Marketing** | | | | |
| Payroll & Related | 1.5% | 1.9% | 2.4% | 2.2% |
| Other | 4.3 | 4.6 | 4.9 | 4.5 |
| Total | 6.2% | 6.2% | 7.3% | 6.4% |
| **Energy Costs** | 5.1% | 5.6% | 5.7% | 4.5% |
| **Property Operations & Maintenance** | 5.2% | 5.1% | 5.8% | 5.3% |
| **Total Undistributed Operating Expenses** | 26.1% | 26.6% | 31.3% | 26.6% |
| Income Before Management Fees | 28.3 | 26.9 | 22.6 | 25.2 |
| Management Fees (Base & Incentive) | 3.5 | 3.3 | 3.4 | 3.0 |
| Income Before Fixed Charges | 24.8% | 25.3% | 19.1% | 22.6% |
| **Fixed Charges** | 20.1% | 29.8% | 31.7% | 27.3% |
| Income Before Income Taxes | 3.0% | (3.1)% | (11.2)% | (4.6)% |
| **Reserve for Capital Replacement** | 3.3% | 1.7% | 1.9% | 4.7% |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response.
***Readers are cautioned that these figures are not directly comparable with those in previous reports. N—Negligible.

| Restaurant Operated Total Food & Beverage Sales as a Ratio to Total Sales*** | | | |
|---|---|---|---|
| 0-25.0 | 25.1-35.0 | 35.1-45.0 | 45.1 & Over |
| 69.6% | 63.2% | 63.1% | 58.2% |
| $ 52.20 | $ 61.15 | $ 64.14 | $ 53.69 |
| | | | |
| 73.3% | 62.9% | 54.6% | 45.5% |
| 14.0 | 22.2 | 28.5 | 35.6 |
| 5.1 | 8.0 | 10.2 | 13.0 |
| 0.9 | 1.5 | 1.5 | 1.6 |
| 2.8 | 2.4 | 2.2 | 1.8 |
| 1.5 | 1.1 | 1.6 | 1.0 |
| 1.7 | 1.2 | 1.1 | 1.0 |
| 100.0% | 100.0% | 100.0% | 100.0% |
| | | | |
| 19.1% | 17.1% | 14.4% | 13.2% |
| 17.9 | 26.9 | 33.4 | 41.0 |
| 2.5 | 2.3 | 2.1 | 1.8 |
| 1.0 | 1.0 | 1.4 | 1.3 |
| 40.5% | 46.5% | 52.1% | 57.6% |
| | | | |
| 53.1% | 46.0% | 39.0% | 31.5% |
| 2.0 | 5.4 | 7.1 | 10.7 |
| 0.3 | N | 0.1 | (0.1) |
| 0.4 | 0.1 | 0.2 | 0.1 |
| 1.7 | 1.2 | 1.1 | 1.0 |
| 59.5% | 53.5% | 47.9% | 42.4% |
| | | | |
| | | | |
| 4.5% | 4.7% | 5.0% | 4.8% |
| 5.6 | 5.5 | 5.4 | 5.5 |
| 10.1% | 10.3% | 10.6% | 10.0% |
| | | | |
| 1.6% | 2.2% | 2.1% | 2.2% |
| 4.9 | 4.9 | 4.6 | 4.0 |
| 6.3% | 6.9% | 6.7% | 6.3% |
| 5.3% | 5.4% | 4.9% | 5.5% |
| 5.1% | 5.4% | 5.6% | 5.4% |
| 27.3% | 28.6% | 27.2% | 27.1% |
| 31.5 | 24.7 | 19.5 | 15.3 |
| 3.0 | 3.1 | 3.3 | 3.5 |
| 29.7% | 21.3% | 15.6% | 13.6% |
| 27.7% | 24.9% | 22.7% | 21.2% |
| 0.7% | (4.6)% | (5.6)% | (7.8)% |
| ** | 2.3% | 1.9% | ** |

*1826—City Hotel of Baltimore (Barnum's) became the first "first-class" hotel.*

## Exhibit 31

*Amounts Per Available Room**

| | Size of Property | | | |
|---|---|---|---|---|
| | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| Annual Occupancy | 65.0% | 64.4% | 64.9% | 66.5% |
| Annual Room Rate | $ 43.25 | $ 52.79 | $ 70.70 | $ 78.20 |
| **Revenues** | | | | |
| Rooms | $ 9,740 | $12,000 | $15,631 | $19,473 |
| Food | 3,697 | 4,960 | 6,958 | 7,674 |
| Beverage | 1,891 | 2,182 | 2,423 | 2,591 |
| Other Food & Beverage | 133 | 282 | 452 | 411 |
| Telephone | 335 | 435 | 673 | 796 |
| Minor-Operated | 166 | 298 | 471 | 283 |
| Rentals & Other Income | 143 | 222 | 329 | 698 |
| Total | $14,030 | $21,053 | $28,688 | $31,143 |
| **Department Expenses** | | | | |
| Rooms | $ 2,544 | $ 3,138 | $ 4,441 | $ 5,634 |
| Food & Beverage | 4,606 | 6,227 | 8,767 | 8,973 |
| Telephone | 351 | 417 | 647 | 713 |
| Minor-Operated | 141 | 280 | 389 | 269 |
| Total | $ 6,563 | $ 9,811 | $14,302 | $15,224 |
| **Department Profit** | | | | |
| Rooms | $ 7,383 | $ 9,300 | $11,659 | $14,077 |
| Food & Beverage | 859 | 1,118 | 1,432 | 1,428 |
| Telephone | (29) | 21 | 45 | 90 |
| Minor-Operated | 36 | 24 | 59 | 63 |
| Rentals & Other Income | 143 | 222 | 329 | 698 |
| Total | $ 8,797 | $11,003 | $14,426 | $16,593 |
| **Undistributed Operating Expenses** | | | | |
| **Administrative & General** | | | | |
| Payroll & Related | $ 704 | $ 928 | $ 1,526 | $ 1,352 |
| Other | 938 | 1,158 | 1,580 | 1,567 |
| Total | $ 1,595 | $ 2,088 | $ 3,244 | $ 2,979 |
| **Marketing** | | | | |
| Payroll & Related | $ 255 | $ 432 | $ 603 | $ 610 |
| Other | 722 | 997 | 1,336 | 1,196 |
| Total | $ 832 | $ 1,350 | $ 1,967 | $ 1,840 |
| **Energy Costs** | $ 640 | $ 1,120 | $ 1,324 | $ 1,459 |
| **Property Operations & Maintenance** | $ 772 | $ 1,025 | $ 1,546 | $ 2,000 |
| **Total Undistributed Operating Expenses** | $ 4,246 | $ 5,641 | $ 7,935 | $ 8,516 |
| Income Before Management Fees | 4,435 | 4,773 | 6,400 | 8,374 |
| Management Fees (Base & Incentive) | 629 | 659 | 916 | 755 |
| Income Before Fixed Charges | $ 4,029 | $ 4,193 | $ 5,471 | $ 7,790 |
| **Fixed Charges** | $ 3,723 | $ 5,367 | $ 8,382 | $ 6,913 |
| Income Before Income Taxes | $ 250 | $ (864) | $ (1,891) | $ 215 |
| **Reserve for Capital Replacement** | $ 938 | $ 497 | $ 535 | ** |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response.

## Exhibit 32

*Ratios to Total Sales**

| | Size of Property | | | |
|---|---|---|---|---|
| | Under 150 Rooms | 150-299 Rooms | 300-600 Rooms | Over 600 Rooms |
| Annual Occupancy | 65.0% | 64.4% | 64.9% | 66.5% |
| Annual Room Rate | $ 43.25 | $ 52.79 | $ 70.70 | $ 78.20 |
| **Revenues** | | | | |
| Rooms | 82.0% | 59.8% | 57.7% | 59.6% |
| Food | 23.7 | 23.9 | 25.3 | 23.3 |
| Beverage | 9.6 | 9.8 | 8.7 | 7.9 |
| Other Food & Beverage | 0.8 | 1.4 | 1.6 | 1.4 |
| Telephone | 2.3 | 2.2 | 2.4 | 2.5 |
| Minor-Operated | 0.9 | 1.4 | 1.7 | 1.0 |
| Rentals & Other Income | 0.9 | 1.1 | 1.2 | 1.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| **Department Expenses** | | | | |
| Rooms | 17.7% | 15.6% | 16.2% | 16.8% |
| Food & Beverage | 26.9 | 28.7 | 31.0 | 27.3 |
| Telephone | 2.3 | 2.2 | 2.3 | 2.4 |
| Minor-Operated | 1.0 | 1.1 | 1.4 | 0.7 |
| Total | 37.3% | 46.1% | 50.8% | 47.1% |
| **Department Profit** | | | | |
| Rooms | 54.6% | 44.8% | 40.7% | 42.6% |
| Food & Beverage | 5.4 | 5.5 | 6.0 | 4.9 |
| Telephone | (0.3) | 0.1 | 0.1 | 0.3 |
| Minor-Operated | 0.3 | 0.1 | 0.2 | 0.2 |
| Rentals & Other Income | 0.9 | 1.1 | 1.2 | 1.8 |
| Total | 62.7% | 53.9% | 49.2% | 52.9% |
| **Undistributed Operating Expenses** | | | | |
| **Administrative & General** | | | | |
| Payroll & Related | 4.8% | 4.8% | 5.2% | 4.4% |
| Other | 6.0 | 5.7 | 5.5 | 4.8 |
| Total | 10.1% | 10.8% | 11.0% | 9.1% |
| **Marketing** | | | | |
| Payroll & Related | 1.4% | 2.1% | 2.2% | 2.0% |
| Other | 4.4 | 4.9 | 4.9 | 4.3 |
| Total | 5.8% | 6.5% | 7.0% | 6.1% |
| **Energy Costs** | 5.8% | 5.5% | 4.6% | 4.3% |
| **Property Operations & Maintenance** | 5.4% | 5.2% | 5.4% | 6.4% |
| **Total Undistributed Operating Expenses** | 27.2% | 28.5% | 27.1% | 25.8% |
| Income Before Management Fees | 32.6 | 26.1 | 22.4 | 26.5 |
| Management Fees (Base & Incentive) | 4.0 | 3.4 | 3.1 | 2.9 |
| Income Before Fixed Charges | 31.0% | 23.1% | 18.1% | 24.8% |
| **Fixed Charges†** | 27.3% | 28.2% | 27.3% | 21.3% |
| Income Before Income Taxes | 1.7% | (4.9)% | (5.4)% | 0.9% |
| **Reserve for Capital Replacement** | 5.0% | 2.0% | 1.7% | ** |

*All amounts are medians and do not necessarily add to totals shown. **Insufficient response.

# APPENDIX I: EXPLANATION OF TERMS

### Room sales

Guest room revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

### Rentals and other income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

### Payroll and related expenses—rooms department

The salaries and wages of departmental personnel and management including: overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

### Payroll and related expenses—administrative and general

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

### Undistributed operating expenses—administrative and general

Expenses incurred from bad debts, credit cards commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

### Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing newspaper, magazine and billboard space and broadcasting time.

### Energy

The costs of fuel, electrical current and water.

### Payroll and related expenses—property operation and maintenance

Payroll and related expenses related with the repair and maintenance of the building, furniture and fixtures and equipment, in addition to all other expenses necessary to keep the property in operating condition.

### Property operation and maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

### Management fees

Fees charged by a management organization for management service or supervision should be charged to the account.

### Income before fixed charges

Income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income, and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

# PROPERTY ANALYSIS

*This worksheet will provide a quick analysis of how your property is performing in comparison to the industry.*

## Worksheet

(Use medians from exhibits)

| Amount Per Available Room | Your Property | Comparison 1 | Comparison 2 |
|---|---|---|---|
| Revenues | | | |
| Rooms | | | |
| Food | | | |
| Beverage | | | |
| Other Food & Beverage | | | |
| Telephone | | | |
| Minor-Operated | | | |
| Rentals & Other | | | |
| Total | | | |
| Department Expenses | | | |
| Rooms | | | |
| Food & Beverage | | | |
| Telephone | | | |
| Minor-Operated | | | |
| Total | | | |
| Department Profit | | | |
| Rooms | | | |
| Food & Beverage | | | |
| Telephone | | | |
| Minor-Operated | | | |
| Rentals & Other | | | |
| Total | | | |
| Undistributed Expenses | | | |
| Administrative & General | | | |
| Payroll & Related | | | |
| Other | | | |
| Total | | | |
| Marketing | | | |
| Payroll & Related | | | |
| Other | | | |
| Total | | | |
| Energy | | | |
| Property Operations & Maintenance | | | |
| Total Undistributed Expenses | | | |
| Income Before Management Fees | | | |
| Management Fees (Base & Incentive) | | | |
| Income Before Fixed Charges | | | |
| Fixed Charges | | | |
| Income Before Income Taxes | | | |
| Reserve for Capital Replacement | | | |

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